

CITY OF CUDAHY

Cudahy, Wisconsin

COMMUNICATION TO THOSE CHARGED WITH GOVERNANCE AND MANAGEMENT

As of and for the Year Ended December 31, 2017

CITY OF CUDAHY

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**REQUIRED COMMUNICATION OF INTERNAL CONTROL RELATED MATTERS IDENTIFIED IN THE
AUDIT TO THOSE CHARGED WITH GOVERNANCE**

To the Mayor and Common Council
City of Cudahy
Cudahy, Wisconsin

In planning and performing our audit of the financial statements of the City of Cudahy ("City"), Wisconsin, as of and for the year ended December 31, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of its internal control. Accordingly, we do not express an opinion on the effectiveness of its internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in the City's internal control to be material weaknesses, as discussed further on the following pages:

- > Internal control over financial reporting
- > Internal control environment

This communication is intended solely for the information and use of the Common Council, management and others within the organization and is not intended to be, and should not be, used by anyone other than these specified parties.

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
June 19, 2018

Auditing standards require that we perform procedures to obtain an understanding of your government and its internal control environment as part of the annual audit. This includes an analysis of significant transaction cycles and an analysis of the City's year-end financial reporting process and preparation of your financial statements.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Properly designed systems of internal control provides your organization with the ability to process and record monthly and year end transactions and prepare annual financial reports.

Our audit includes a review and evaluation of the City's internal controls relating to financial reporting. Common attributes of a properly designed system of internal control for financial reporting are as follows:

- > There is adequate staffing to prepare financial reports throughout and at the end of the year.
- > Staff is properly trained and knowledgeable to perform all financial reporting functions.
- > Material misstatements are identified and corrected during the normal course of duties.
- > Complete and accurate financial statements including footnotes are prepared.
- > Financial reports are reviewed by an individual who is not the preparer for completeness and accuracy.

Due to limited resources of the City, our evaluation of the City's internal controls over financial reporting has identified control deficiencies that are considered a material weakness surrounding the preparation of complete and accurate financial statements and footnotes and adjusting journal entries identified by the auditors.

As a result of these deficiencies, management has not prepared financial statements that are in conformity with generally accepted accounting principles. In addition, material misstatements in the general ledger were identified during the financial audit.

This level of internal control over financial reporting can be a difficult task for government that operate with only enough staff to process monthly transactions and reports, and often rely on their auditors to prepare certain year-end audit entries and the financial statements.

INTERNAL CONTROL ENVIRONMENT

A properly designed system of internal control includes adequate staffing as well as policies and procedures to properly segregate duties. This includes systems that are designed to limit the access or control of any one individual to your government's assets or accounting records, and to achieve a higher likelihood that errors or irregularities in your accounting processes would be discovered by your staff in a timely manner.

At this time, due to staffing and financial limitations, the proper internal controls are not in place to achieve adequate segregation of duties. As a result, errors, irregularities or fraud could occur as part of the financial reporting process that may not be discovered by someone in your organization. Therefore, we are reporting a material weakness related to the internal control environment.

There are also certain controls that are not currently in place related to significant transaction cycles. As a result, there is a risk that erroneous or unauthorized transactions or misstatements could occur without the knowledge of management or the governing body. Our recommendations for strengthening controls are listed below.

INTERNAL CONTROL ENVIRONMENT (cont.)

CONTROLS OVER PAYROLL

1. Persons preparing the payroll should be independent of other personnel duties or restricted from access to the payroll account.
2. There should be a system to authorize and review new employees added and changes to employee rates and data in the payroll system.
3. There should be controls in place over the proper account distribution for all City departments.

CONTROLS OVER MONTHLY AND YEAR-END ACCOUNTING

1. Adjusting journal entries and supporting documentation should be reviewed and approved by an appropriate person who is not the original preparer.

Since the controls listed above or other compensating controls are not currently in place, errors or irregularities could occur as part of the accounting processes that might not be discovered by management or the governing body. Therefore, the absence of these controls is considered to be a material weakness.

We recommend that a designated employee review the segregation of duties, risks, and these potential controls and determine whether additional controls should be implemented. This determination should take into consideration a cost / benefit analysis.

OTHER COMMUNICATIONS TO THOSE CHARGED WITH GOVERNANCE

TWO WAY COMMUNICATION REGARDING YOUR AUDIT

As part of our audit of your financial statements, we are providing communications to you throughout the audit process. Auditing requirements provide for two-way communication and are important in assisting the auditor and you with more information relevant to the audit.

As this past audit is concluded, we use what we have learned to begin the planning process for next year's audit. It is important that you understand the following points about the scope and timing of our next audit:

- a. We address the significant risks of material misstatement, whether due to fraud or error, through our detailed audit procedures.
- b. We will obtain an understanding of the five components of internal control sufficient to assess the risk of material misstatement of the financial statements whether due to error or fraud, and to design the nature, timing, and extent of further audit procedures. We will obtain a sufficient understanding by performing risk assessment procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented. We will use such knowledge to:
 - > Identify types of potential misstatements.
 - > Consider factors that affect the risks of material misstatement.
 - > Design tests of controls, when applicable, and substantive procedures.

We will not express an opinion on the effectiveness of internal control over financial reporting or compliance with laws, regulations, and provisions of contracts or grant programs.

- c. The concept of materiality recognizes that some matters, either individually or in the aggregate, are important for fair presentation of financial statements in conformity with generally accepted accounting principles while other matters are not important. In performing the audit, we are concerned with matters that, either individually or in the aggregate, could be material to the financial statements. Our responsibility is to plan and perform the audit to obtain reasonable assurance that material misstatements, whether caused by errors or fraud, are detected.
- d. Your financial statements contain components, as defined by auditing standards generally accepted in the United States of America, which we also audit.

TWO WAY COMMUNICATION REGARDING YOUR AUDIT (cont.)

We are very interested in your views regarding certain matters. Those matters are listed here:

- a. We typically will communicate with your top level of management unless you tell us otherwise.
- b. We understand that the Mayor and Common Council have the responsibility to oversee the strategic direction of your organization, as well as the overall accountability of the entity. Management has the responsibility for achieving the objectives of the entity.
- c. We need to know your views about your organization's objectives and strategies, and the related business risks that may result in material misstatements.
- d. Which matters do you consider warrant particular attention during the audit, and are there any areas where you request additional procedures to be undertaken?
- e. Have you had any significant communications with regulators or grantor agencies?
- f. Are there other matters that you believe are relevant to the audit of the financial statements?

Also, is there anything that we need to know about the attitudes, awareness, and actions of the City concerning:

- a. The City's internal control and its importance in the entity, including how those charged with governance oversee the effectiveness of internal control?
- b. The detection or the possibility of fraud?

We also need to know if you have taken actions in response to developments in financial reporting, laws, accounting standards, governance practices, or other related matters, or in response to previous communications with us.

With regard to the timing of our audit, here is some general information. If necessary, we may do preliminary financial audit work during the months of October-December. Our final financial fieldwork is scheduled during February or March to best coincide with your readiness and report deadlines. After fieldwork, we wrap up our financial audit procedures at our office and may issue drafts of our report for your review. Final copies of our report and other communications are issued after approval by your staff. This is typically 6-12 weeks after final fieldwork, but may vary depending on a number of factors.

Keep in mind that while this communication may assist us with planning the scope and timing of the audit, it does not change the auditor's sole responsibility to determine the overall audit strategy and the audit plan, including the nature, timing, and extent of procedures necessary to obtain sufficient appropriate audit evidence.

We realize that you may have questions on what this all means, or wish to provide other feedback. We welcome the opportunity to hear from you.

**COMMUNICATION OF OTHER CONTROL DEFICIENCIES, RECOMMENDATIONS AND
INFORMATIONAL POINTS TO MANAGEMENT THAT ARE NOT MATERIAL WEAKNESSES OR
SIGNIFICANT DEFICIENCIES**

COMMENTS AND RECOMMENDATIONS

Budget Requirements

Wisconsin state statutes require that a municipality formulate a budget for each governmental fund and for each proprietary fund that receives property tax revenue. A budget shall list all existing indebtedness and all anticipated revenue from all sources during the ensuing year and shall likewise list all proposed appropriations for each department, activity and reserve account during the said ensuing year. During our review of the City's budget, we noted that several funds did not have a budget for 2017. We recommend that the City review the Wisconsin state statutes for municipal budgets, and make the appropriate changes going forward. We would be happy to provide further guidance on this requirement, if necessary.

Journal Entry Filing System

When the City processes an adjusting journal entry, a copy of the entry should be printed and the supporting documentation for the entry should be attached. Afterward, all journal entries should be kept in binders or a filing cabinet, in the order that they are processed. That way, if an entry needs to be retrieved, it can easily be found. During the audit, we experienced difficulties finding journal entries and their supporting documentation, in a timely manner.

Investment Policy Custodial Credit Compliance

During our audit procedures, we noted that the City was not in compliance with the depository collateralization requirements of their investment policy for all of their bank accounts. There were two banks that had deposits that exceed the combination of the FDIC insurance, the State Deposit Guarantee Fund, and the collateral agreement amounts. We recommend management review the City's balances continually, to ensure that amounts are fully insured or collateralized in accordance with the investment policy.

INFORMATIONAL POINTS

CYBER SECURITY

Cybersecurity continues to be a top concern and is critical for governments of all sizes and types. Information demands from the board and directors, citizens/customers, investors and analysts, and industry regulators continue to increase which makes it critical to ensure key data is protected. Potential business impacts on security incidents can include:

- > Lost IP
- > Business interruption
- > Regulatory fines and penalties
- > Legal and PR fees
- > Remediation costs
- > Reputation

AICPA has recently developed a cybersecurity risk management reporting framework that includes a new System and Organization Controls (SOC) for Cybersecurity engagement, through which the enterprise-wide cybersecurity risk management program is reviewed. Although not required for governments, this new standard can be used to help the City begin to put in place a cybersecurity program.

We recommend reviewing this new standard and performing an initial cyber-risk assessment to identify the types and location of data on your system as well as considering the sensitivity or potential regulations associated with your data. Once this is done the cybersecurity program objectives can be further defined so informed decisions can be made.

Our professionals are also available to assist with your cybersecurity questions, assessments, and programs.

GOVERNMENT FRAUD PREVENTION AND DETECTION: NOW IS THE TIME TO ACT

When it comes to preventing and detecting fraud in government, being proactive is critical. In fact, government is the second most likely industry to be impacted by fraud. According to the audit standards, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management. To get started, your government should conduct a fraud risk assessment to identify where and how fraud might occur and what individuals may be in a position to commit fraud. Once you've identified your entity's fraud risk areas, the next step is to develop a fraud risk assessment and investigation policy.

As you begin your fraud risk assessment or develop tools to prevent and detect fraud, it is important to keep in mind the following information provided by the Association of Certified fraud Examiners:

- > Misappropriation of assets accounts for 80 percent of fraud
- > The primary internal control weaknesses observed are lack of internal controls, lack of management review, override of existing internal controls and poor tone at the top
- > A tip is the most effective tool to catch a fraudster followed by management review
- > The professional requirements and objectives of a financial audit are different than a forensic audit. Due to the nature of a financial audit, less than 10 percent of frauds have been discovered as a result of a financial audit conducted by an independent accounting firm.

INFORMATIONAL POINTS (cont.)

GOVERNMENT FRAUD PREVENTION AND DETECTION: VENDOR FRAUD

Vendor fraud poses a unique threat to governments. Due to the public and transparent nature of operations, government entities have an increased susceptibility for this type of criminal activity. Since governments publish a significant amount of information online — for example, meeting minutes, which often contain vendor names, contract amounts and project status — it is easier for fraudsters to create falsified documents.

Fraud specialists have noted recent fraud cases where criminals falsified vendor change requests for legitimate vendors, including company addresses and bank account information for Electronic Fund Transfers (EFT). When governments unwittingly process these fraudulent changes, the perpetrators can collect payments on legitimate and approved vendor invoices — while legitimate vendors go unpaid. Preventing vendor fraud completely may be impossible; however, governments can go a long way towards protecting themselves by taking appropriate safety and control measures.

Help ensure your vendor transactions are secure and authentic by:

- > Performing a risk assessment that focuses on vendor accounts payable activities.
- > Periodically revisiting your control activities
- > Educate your employees on potential fraud schemes
- > Identify which vendors may be high-risk targets.

Our fraud experts are also available to assist with your fraud risk questions, assessments, and programs.

INFORMATIONAL POINTS (cont.)

GASB UPDATES

The Government Accounting Standard Board (GASB) has been very active in recent years, issuing new standards at a fast pace. Over the next few years, your government will have many new standards to evaluate and implement. Here are the standards likely to impact you the most in the upcoming year:

- > GASB 75 covers the employer reporting of Other Post Employment Benefits (OPEB)
- > GASB 86 provides guidance for accounting for Certain Debt Extinguishment Issues

There were two significant GASB statements issued in 2017. While the implementation dates for these are a few years away, they are anticipated to have significant impacts on many government financial statements:

- > GASB 84 improves guidance regarding the identification of Fiduciary Activities and how they should be reported, effective for years ending December 31, 2019
- > GASB 87 improves accounting and financial reporting for Leases, effective for years ending December 31, 2020

Looking even further ahead, the Technical Agenda, below, outlines significant areas GASB is currently working on:

- > Major Projects
 - Financial Reporting Model
 - Revenue and Expense Recognition
- > Practice Issues
 - Capitalization of Interest Cost
 - Conduit Debt
 - Debt Disclosures
 - Equity Ownership Issues
 - Implementation Guidance
- > Pre-Agenda Research
 - Going Concern
 - Cloud Computing
 - Note Disclosure reexamination
 - Public-Private Partnerships
 - Social Impact Bonds

Through our firm involvement on AICPA committees, Baker Tilly follows these developments closely so that we can help you prepare for the changes as they evolve. This participation also allows us to share with GASB the experiences and perspectives of our clients to potentially influence the direction of future projects.

Full lists of projects, as well as many resources, are available on GASB's website which is located at www.gasb.org.

INFORMATIONAL POINTS (cont.)

UPDATED STANDARDS FOR OTHER POSTEMPLOYMENT BENEFITS

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB).

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB.

This Statement requires the liability of employers to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.

The City provides OPEB benefits in the form of health care benefits for retirees and will be required to adopt Statement No. 75 for the year ending December 31, 2018. Some action items to consider during this year of implementation are:

- > Coordinating key items with your actuary, including:
 - Measurement date and valuation date
 - Actuarial assumptions
 - Timing and availability of their report
- > Assessing your responsibility for:
 - Allocating costs among departments or funds
 - Tracking of benefit payments for active employees separate from retirees
 - Accuracy of census data to be provided to the actuary
 - Assumptions used in the actuarial valuation
 - Accounting and financial reporting changes

The accounting and reporting of OPEB has become more complex with the implementation of GASB Statement No. 75. We are available to answer any questions on how this new accounting standard will affect the City financial statements starting next year.

INFORMATIONAL POINTS (cont.)

UPCOMING LEASE STANDARD

In June 2017, the Governmental Accounting Standards Board (GASB) issued new guidance to establish a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This standard is effective for fiscal years ending on or after December 31, 2020. Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognize as inflows of resources or outflow of resources based on the payment provisions of the contract.

Under the new standard a lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Control is defined by 1) the right to obtain the present service capacity from the use of the underlying asset and 2) the right to determine the nature and manner of use of the underlying asset. Any contract that meets this definition should be accounted for under the lease guidance, unless specifically excluded in this statement. Leases include contracts that, although not explicitly identified as leases, meet the above definition of a lease.

The following are contract exclusions and exceptions from applying lease accounting:

- > Intangible assets (mineral rights, patents, software, copyrights)
- > Biological assets (including timber, living plants, and living animals)
- > Service concession arrangements (See GASB Statement 60)
- > Assets financed with outstanding conduit debt unless both the asset and conduit debt are reported by lessor
- > Supply contracts (such as power purchase agreements that do not convey control of the right to use the underlying power generating facility)
- > Inventory
- > Short-term leases - max possible term 12 months or less
- > Leases that transfer ownership and do not contain termination options
- > Leases of assets that are investments
- > Certain regulated leases (e.g., airport-airline agreements)

We recommend the City review this standard and start planning how this will affect your financial reporting. An inventory of all contracts that might meet the definition of a lease should be started. The contract listing should include key terms of the contracts such as:

- > Description of contract
- > Underlying asset
- > Contract term
- > Options for extensions and terminations
- > Service components, if any
- > Dollar amount of lease

INFORMATIONAL POINTS (cont.)

UPCOMING LEASE STANDARD (cont.)

In addition, the City should begin to establish a lease policy to address the treatment of common lease types, including a dollar threshold for each lease. We are available to discuss this further and help you develop an action plan.

PROCUREMENT RULES FOR EXPENDITURES UNDER FEDERAL GRANTS NOW IN EFFECT

In December 2013, the US Office of Management and Budget (OMB) issued comprehensive grant reform rules titled "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards." With that issuance, there were important updates made to various areas of federal grants management. Procurement is one of the areas that had significant changes for some entities. In order to allow time for implementation, the procurement rules were given a two year grace period, which has now expired. Therefore, you must be compliant with the new guidelines beginning January 1, 2018 for calendar year end entities (or July 1, 2018 for entities with a June 30 year-end). The new guidelines apply to all purchases made with federal funding.

The procurement sections of the Uniform Guidance can be found online in 2 CFR 200.318. Some of the highlights include:

- > Written conflict of interest policies are required
- > The organization must document the procurement steps and activities required to be completed, which includes the basis for the type of procurement, contract type and basis for the contractor selection
- > Procurement must be done in a manner that prohibits the use of geographical preference, except in certain cases
- > The five methods of procurement outlined are:
 - Micro-purchase – purchases where the aggregate dollar amount does not exceed \$3,000 (adjusted by the Federal Acquisition Regulation). No competitive quotes are required if management determines that the price is reasonable. When practical, the entity should distribute micro-purchases equitably among qualified suppliers.
 - Small purchase – includes purchases up to the Simplified Acquisition Threshold, which starts out at \$150,000 but is periodically adjusted for inflation. Price or rate quotes must be obtained from an adequate number of sources.
 - Sealed bids – used for purchases over the Simplified Acquisition Threshold. Formal solicitation is required and the fixed price is awarded to the responsible bidder who conformed to all material terms and is the lowest in price.
 - Competitive proposals – used for purchases over the Simplified Acquisition Threshold when sealed bids are not appropriate. Contracts should be awarded to the responsible firm whose proposal is most advantageous to the program, with price being one of the various factors.
 - Noncompetitive proposals (also known as sole-source procurement) – used only when specific criteria are met. Examples include when a public emergency does not allow time for a competitive proposal process, an item is only available from one source, competition is deemed inadequate after a number of attempts were made, or the federal awarding agency authorizes noncompetitive proposals.

INFORMATIONAL POINTS (cont.)

PROCUREMENT RULES FOR EXPENDITURES UNDER FEDERAL GRANTS NOW IN EFFECT (cont.)

If your organization has not yet evaluated and/or revised your procurement policies for compliance with the requirements under Uniform Guidance when entering into procurement transactions funded with federal awards, we recommend that you do so as soon as possible. A high level of formal documentation is required to meet the standards. As always, you will need to consider compliance with state requirements as well.

NEW REPORTING REQUIREMENTS FOR FIDUCIARY ACTIVITIES

In January 2017, the Governmental Accounting Standards Board (GASB) issued new guidance to address how governments report fiduciary activities which is effective for fiscal years ending on or after December 31, 2019. Statement No. 84, *Fiduciary Activities*, supersedes reporting of agency funds and replaces it with a newly coined custodial fund, and requires several additional reporting requirements for fiduciary funds.

Under current guidance, Statement 34 requires that governments report fiduciary activities in fiduciary funds, but that statement does not provide a clear definition of what constitutes a fiduciary activity. GASB sought to reduce inconsistencies in reporting and provide a clear foundation for future reporting. The new guidance will impact a significant amount of local governments. Many local governments have activities that may be considered fiduciary, including:

- > Student activity funds of a school district
- > Tax collection funds
- > Circuit court fund of a municipality or county
- > Jail inmate accounts
- > Nursing home patient accounts
- > Cemetery trust funds
- > Postemployment benefit plans

Under the recently issued Statement 84, governments will need to apply specific criteria to determine if a fiduciary activity exists. The criteria focuses on determining if a government is controlling the assets of the potential fiduciary activity and determining who the beneficiaries are. A few of the major changes that will impact many governments include:

- > **Pension/OPEB Plans as Fiduciary Component Units:** Pension and other postemployment benefit (OPEB) plans will need to be evaluated to determine if they meet the fiduciary component unit criteria.
- > **Other Fiduciary Activities:** There are various other types of assets that a government controls which will need to be evaluated under the new standard. Part of this evaluation will include identification of the beneficiary of the funds, consideration of how the assets are derived and the extent of administrative or direct financial involvement with the assets.

INFORMATIONAL POINTS (cont.)

NEW REPORTING REQUIREMENTS FOR FIDUCIARY ACTIVITIES (cont.)

The following is a summary of two significant changes in the reporting requirements:

- > The standard requires that governments recognize a liability to the beneficiaries in a fiduciary fund only when an event has occurred that compels the government to disburse fiduciary resources.
- > Presentation of additions and deductions on the statement of changes in fiduciary net position for all fiduciary funds, including custodial funds

The time to start assessing your government's fiduciary activities is approaching. Start with reading the new statement and reviewing the non-authoritative flowchart provided by GASB in the appendix of the statement. This will give you an understanding of the new criteria and requirements and help you identify the fiduciary reporting changes that will impact your financial statements.

REQUIRED COMMUNICATIONS BY THE AUDITOR TO THOSE CHARGED WITH GOVERNANCE

To Mayor and Common Council
City of Cudahy
Cudahy, Wisconsin

Thank you for using Baker Tilly Virchow Krause, LLP as your auditor.

We have completed our audit of the financial statements of the City of Cudahy ("City") for the year ended December 31, 2017 and have issued our report thereon dated June 19, 2018. This letter presents communications required by our professional standards.

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA

The objective of a financial statement audit is the expression of an opinion on the financial statements. We conducted the audit in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements prepared by management with your oversight are free of material misstatement, whether caused by error or fraud. Our audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit does not relieve management or the Common Council of their responsibilities.

As part of the audit we obtained an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing and extent of further audit procedures. The audit was not designed to provide assurance on internal control or to identify deficiencies in internal control.

OTHER INFORMATION IN DOCUMENTS CONTAINING AUDITED FINANCIAL STATEMENTS

Our responsibility does not extend beyond the audited financial statements identified in this report. We do not have any obligation to and have not performed any procedures to corroborate other information contained in client prepared documents, such as official statements related to debt issues.

PLANNED SCOPE AND TIMING OF THE AUDIT

We performed the audit according to the planned scope and timing previously communicated to you in our prior year Communication to Those Charged with Governance and Management dated June 1, 2017.

To the Mayor and Common Council
City of Cudahy
Cudahy, Wisconsin

QUALITATIVE ASPECTS OF THE ENTITY'S SIGNIFICANT ACCOUNTING PRACTICES

Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of Cudahy are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2017. We noted no transactions entered into by the City of Cudahy during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- > Management's estimate of the other post-employment health care benefits actuarial accrued liability which impacts the annual required contribution are based upon several key assumptions that are set by management with the assistance of an independent third party actuary. These key assumptions include anticipated investment rate of return, health care cost trends, projected salary increases, mortality and certain cost amortization periods.
- > Management's estimate of the net pension liability (asset) and the deferred outflows and deferred inflows related to pensions which impacts the reported pension expense are based on information provided by the Wisconsin Retirement System.

We have evaluated the key factors and assumptions used in developing these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

The disclosures in the notes to the financial statements are neutral, consistent, and clear.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

We encountered no significant difficulties in dealing with management in performing our audit.

CORRECTED AND UNCORRECTED MISSTATEMENTS

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

Management has corrected all such misstatements.

To the Mayor and Common Council
City of Cudahy
Cudahy, Wisconsin

CORRECTED AND UNCORRECTED MISSTATEMENTS (cont.)

The following is a summary of material financial statement misstatements (audit adjustments):

	<u>Amount</u>
Adjustments to tax collections	\$ 3,948,019
Adjustments to water utility capital assets, including the amount contributed	365,260
Adjustments to sewer utility capital assets	267,893
Adjustments to storm water utility capital assets	255,014
Adjustments to the net pension liability, deferred outflows of resources, and deferred inflows of resources	309,749
Adjustments to utility receivables and revenues	1,571,335
Record MMSD year-end liability	642,130
Record additional activity for insurance proceeds and work performed, related to utility fire	176,828
Allocate special assessments into appropriate funds	463,831
Allocate restricted cash amounts	1,660,574

In addition, we prepared GASB No. 34 conversion entries which are summarized in the "Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position" and the "Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities" in the financial statements.

All audit and bookkeeping adjustments we prepared were included in your financial statements. Copies of these adjustments are available from management.

DISAGREEMENTS WITH MANAGEMENT

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

In some cases, management may decide to consult with other accountants about auditing and accounting matters. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

MANAGEMENT REPRESENTATIONS

We have requested certain representations from management that are included in the management representation letter. This letter follows this required communication.

To the Mayor and Common Council
City of Cudahy
Cudahy, Wisconsin

INDEPENDENCE

We are not aware of any relationships between Baker Tilly Virchow Krause, LLP and the City of Cudahy that, in our professional judgment, may reasonably be thought to bear on our independence.

Relating to our audit of the financial statements of the City of Cudahy for the year ended December 31, 2017, Baker Tilly Virchow Krause, LLP hereby confirms that we are, in our professional judgment, independent with respect to the City in accordance with the Code of Professional Conduct issued by the American Institute of Certified Public Accountants. We provided no services to the City other than audit services provided in connection with the audit of the current year's financial statements and the following nonaudit services which in our judgment do not impair our independence.

- > Financial statement preparation
- > Adjusting journal entries
- > Compiled regulatory reports
- > Civic Systems software
- > Utility rate consulting
- > General accounting, budgeting and debt assistance
- > Outsourcing services assistance

None of these nonaudit services constitute an audit under generally accepted auditing standards, including *Government Auditing Standards*.

OTHER AUDIT FINDINGS OR ISSUES

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City of Cudahy's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

OTHER MATTERS

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information which accompanies the financial statements but is not RSI. With respect to the supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

To the Mayor and Common Council
City of Cudahy
Cudahy, Wisconsin

RESTRICTION ON USE

This information is intended solely for the use of the Common Council, finance committee and management and is not intended to be, and should not be, used by anyone other than these specified parties.

We welcome the opportunity to discuss the information included in this letter and any other matters. Thank you for allowing us to serve you.

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
June 19, 2018

MANAGEMENT REPRESENTATIONS



5050 S. LAKE DRIVE • P.O. BOX 100510
CUDAHY, WI 53110-6108

Baker Tilly Virchow Krause, LLP
777 E Wisconsin Ave., 32nd Floor
Milwaukee, WI 53202

Dear Baker Tilly Virchow Krause, LLP:

We are providing this letter in connection with your audit of the financial statements of the City of Cudahy as of December 31, 2017 and for the year then ended and for the City of Cudahy Water Utility as of December 31, 2017 and 2016 and for the years then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cudahy and the respective changes in financial position and cash flows, where applicable, in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control over financial reporting, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter.
2. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America. We have engaged you to advise us in fulfilling that responsibility. The financial statements include all properly classified funds of the primary government and all component units required by accounting principles generally accepted in the United States of America to be included in the financial reporting entity.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates, if any, are reasonable.

“GENERATIONS OF PRIDE”

6. All events subsequent to the date of the financial statements and for which accounting principles generally accepted in the United States of America require adjustment or disclosure have been adjusted or disclosed. No other events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.
7. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
8. All known audit and bookkeeping adjustments have been included in our financial statements, and we are in agreement with those adjustments.
9. There are no known or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with accounting principles generally accepted in the United States of America.

Information Provided

10. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as financial records and related data , documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of the Common Council or summaries of actions of recent meetings for which minutes have not yet been prepared.
11. We have not completed an assessment of the risk that the financial statements may be materially misstated as a result of fraud.
12. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a. Management,
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.
13. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, regulators, or others.
14. We have no knowledge of known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
15. There are no known related parties or related party relationships and transactions of which we are aware.

Other

16. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
17. We have a process to track the status of audit findings and recommendations.

18. We have identified to you any previous financial audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
19. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for our report.
20. The City has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
21. We are responsible for compliance with federal, state, and local laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits, debt contracts, and IRS arbitrage regulations; and we have identified and disclosed to you all federal, state, and local laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
22. There are no:
 - a. Violations or possible violations of budget ordinances, federal, state, and local laws or regulations (including those pertaining to adopting, approving and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, or for reporting on noncompliance, except those already disclosed in the financial statement, if any.
 - b. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by accounting principles generally accepted in the United States of America.
 - c. Nonspendable, restricted, committed, or assigned fund balances that were not properly authorized and approved.
 - d. Rates being charged to customers other than the rates as authorized by the applicable authoritative body.
 - e. Violations of restrictions placed on revenues as a result of bond resolution covenants such as revenue distribution or debt service funding.
23. In regards to the nonattest services performed by you listed below, we have 1) accepted all management responsibility; 2) designated an individual with suitable skill, knowledge, or experience to oversee the services; 3) evaluated the adequacy and results of the services performed, and 4) accepted responsibility for the results of the services.
 - a. Financial statement preparation
 - b. Adjusting journal entries
 - c. Compiled regulatory reports
 - d. Civic Systems software
 - e. Utility rate consulting
 - f. General accounting, budget and debt assistance
 - g. Outsourcing services assistance

None of these nonattest services constitute an audit under generally accepted auditing standards, including *Government Auditing Standards*.
24. The City of Cudahy has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
25. The City of Cudahy has complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance.

26. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations, if any.
27. The financial statements properly classify all funds and activities.
28. All funds that meet the quantitative criteria in GASB Statement No. 34 and No. 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
29. Components of net position (net investment in capital assets; restricted; and unrestricted) and components of fund balance (nonspendable, restricted, committed, assigned and unassigned) are properly classified and, if applicable, approved.
30. The City of Cudahy has no derivative financial instruments such as contracts that could be assigned to someone else or net settled, interest rate swaps, collars or caps.
31. Provisions for uncollectible receivables, if any, have been properly identified and recorded.
32. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
33. Revenues are appropriately classified in the statement of activities within program revenues and general revenues.
34. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
35. Deposits and investments are properly classified, valued, and disclosed (including risk disclosures, collateralization agreements, valuation methods, and key inputs, as applicable).
36. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated/amortized. Any known impairments have been recorded and disclosed.
37. Tax-exempt bonds issued have retained their tax-exempt status.
38. We have appropriately disclosed the City of Cudahy's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available and have determined that net position were properly recognized under the policy. We have also disclosed our policy regarding which resources (that is, restricted, committed, assigned or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available.
39. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

40. With respect to the supplementary information, (SI):

- a. We acknowledge our responsibility for presenting the SI in accordance with accounting principles generally accepted in the United States of America, and we believe the SI, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the SI have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
 - b. If the SI is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.
41. We assume responsibility for, and agree with, the findings of specialists in evaluating the benefit costs and funded status relating to the future retiree medical benefits of the City of Cudahy and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had impact on the independence or objectivity of the specialists.
42. We assume responsibility for, and agree with, the information provided by the Wisconsin Retirement System as audited by the Legislative Audit Bureau relating to the net pension asset/liability and related deferred outflows and deferred inflows and have adequately considered the reasonableness of the amounts and disclosures used in the financial statements and underlying accounting records. We also assume responsibility for the census data that has been reported to the plan.
43. We have evaluated and considered all potential tax abatements and believe all material tax abatements have been properly reported and disclosed.
44. All land held for resale is reported at a value that is not significantly higher than the expected net realizable value.

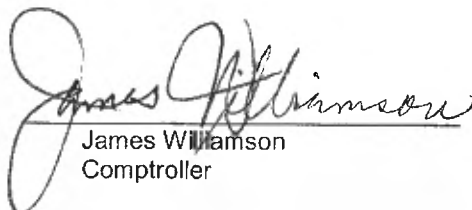
Sincerely,

City of Cudahy

Signed:


John Hohenfeldt
Mayor

Signed:


James Williamson
Comptroller

CITY OF CUDAHY

Cudahy, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2017

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CITY OF CUDAHY

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CITY OF CUDAHY

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INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

To the Mayor and Common Council
City of Cudahy
Cudahy, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cudahy, Wisconsin, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City of Cudahy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City of Cudahy's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the City of Cudahy's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Mayor and Common Council
City of Cudahy

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cudahy, Wisconsin, as of December 31, 2017 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cudahy's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
June 19, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

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Management's Discussion and Analysis (Unaudited)

As management of the City of Cudahy, we offer readers of the City of Cudahy's financial statements this narrative overview and analysis of the financial activities of the City as of and for the fiscal year ended December 31, 2017. This narrative should be read in conjunction with the City's financial statements.

Financial Highlights

The assets and deferred outflows of resources of the City of Cudahy exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$58.96 million (net position), a decrease of \$1.5 million over the prior year net position of \$60.5 million.

Restricted net position principally represent amounts held in the City's tax increment districts for future expenditures and amounts held in reserve funds for debt service.

As of the close of the current fiscal year, the City of Cudahy's governmental funds reported combined ending fund balances of \$17.5 million, a decrease of \$2.2 million in comparison with the prior year. Approximately 14.8 percent of this total amount, \$2.6 million, is available for spending at the government's discretion (unassigned fund balance). At year-end, management had set aside all of the unassigned fund balance for specific purposes.

At the end of the current fiscal year, the unassigned fund balance for the general fund was \$3.8 million, or 29 percent of total general fund expenditures. In accordance with City of Cudahy policy, management has set aside \$3.4 million of this unassigned fund balance for working capital and future contingencies based on 25 percent of the 2018 general fund budget.

The City of Cudahy's total long-term obligations (governmental & business type) decreased by \$7.3 million during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Cudahy's basic financial statements. The City of Cudahy's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Cudahy's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City of Cudahy's assets and deferred outflows of resources, and its liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Cudahy is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Cudahy that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Cudahy include general government, protection of persons and property, public works, health and sanitation, parks and recreation, library, and conservation and development. The business-type activities of the City of Cudahy include a Water Utility, a Sewer Utility and a Storm Water Utility.

The government-wide financial statements include not only the City of Cudahy itself (known as the *primary government*), but also a legally separate Community Development Authority for which the City of Cudahy is financially accountable. Financial information for this *component unit* is blended with the financial information presented for the primary government itself. The Water, Sewer and Storm Water Utilities function for all practical purposes as departments of the City of Cudahy, and therefore have been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 13 - 14 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Cudahy, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Cudahy can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Cudahy maintains nineteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the tax increment district #1 tax levy special revenue fund, the debt service fund, the tax increment district #1 capital projects fund, and the capital improvements fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report. The basic governmental fund financial statements can be found on pages 15 - 19 of this report.

The City of Cudahy adopts an annual appropriated budget for the general fund and various other funds as required by state statute. A budgetary comparison statement, found on page 72, has been provided as required supplementary information for the general fund to demonstrate compliance with the adopted budget.

Proprietary funds. The City of Cudahy maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Cudahy uses enterprise funds to account for its Water, Sewer and Storm Water Utilities. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City of Cudahy uses an internal service fund to account for its liability insurance. Because this service predominantly benefits governmental rather than business-type functions, it has been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water, Sewer, and Storm Water Utilities, all of which are considered to be major funds of the City of Cudahy. Individual fund data for the internal service fund is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 20 - 24 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City of Cudahy's own programs. The only fiduciary fund maintained by the City of Cudahy is the Tax Roll Fund which records the tax roll and tax collections for other taxing jurisdictions within the City of Cudahy. The accounting used for fiduciary funds is much like that used for governmental funds.

The basic fiduciary fund financial statement can be found on page 25 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27 - 71 of this report.

Other information. The required supplementary information can be found on pages 72 - 75 of this report. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining statements and schedules can be found on pages 76 - 79 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Cudahy, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$58.96 million and \$60.5 million at December 31, 2017 and 2016, respectively, as presented in the following table.

CITY OF CUDAHY'S NET POSITION						
December 31, (In Thousands)						
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 39,706	\$ 42,213	\$ 12,067	\$ 11,276	\$ 51,773	\$ 53,489
Capital assets	46,503	51,807	33,915	33,436	80,418	85,243
Total assets	86,209	94,020	45,982	44,712	132,191	138,732
Deferred Outflows of Resources	5,458	7,623	593	801	6,051	8,424
Current and other liabilities	1,298	1,337	1,158	1,139	2,456	2,476
Long-term liabilities	46,341	52,732	12,807	13,682	59,148	66,414
Total liabilities	47,639	54,069	13,965	14,821	61,604	68,890
Deferred Inflows of Resources	17,519	17,569	159	214	17,678	17,783
Net Position						
Net investment capital assets	32,004	33,982	25,523	25,345	54,160	55,782
Restricted	8,220	8,739	1,403	1,385	9,623	10,124
Unrestricted (Deficit)	(13,715)	(12,716)	5,525	3,748	(4,823)	(5,423)
Total net position	\$ 26,509	\$ 30,005	\$ 32,451	\$ 30,478	\$ 58,960	\$ 60,483

The City of Cudahy's governmental activities investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that are still outstanding is reported at \$32.0 million. The City of Cudahy uses capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Cudahy's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Cudahy's governmental activities net position, \$8.2 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* is a deficit \$13.7 million.

The City of Cudahy's net position decreased by \$1,522,938 during the current fiscal year. The amount related to the governmental activities was a decrease in net position of \$3,495,613, while the business-type activities had an increase in net position of \$1,972,675.

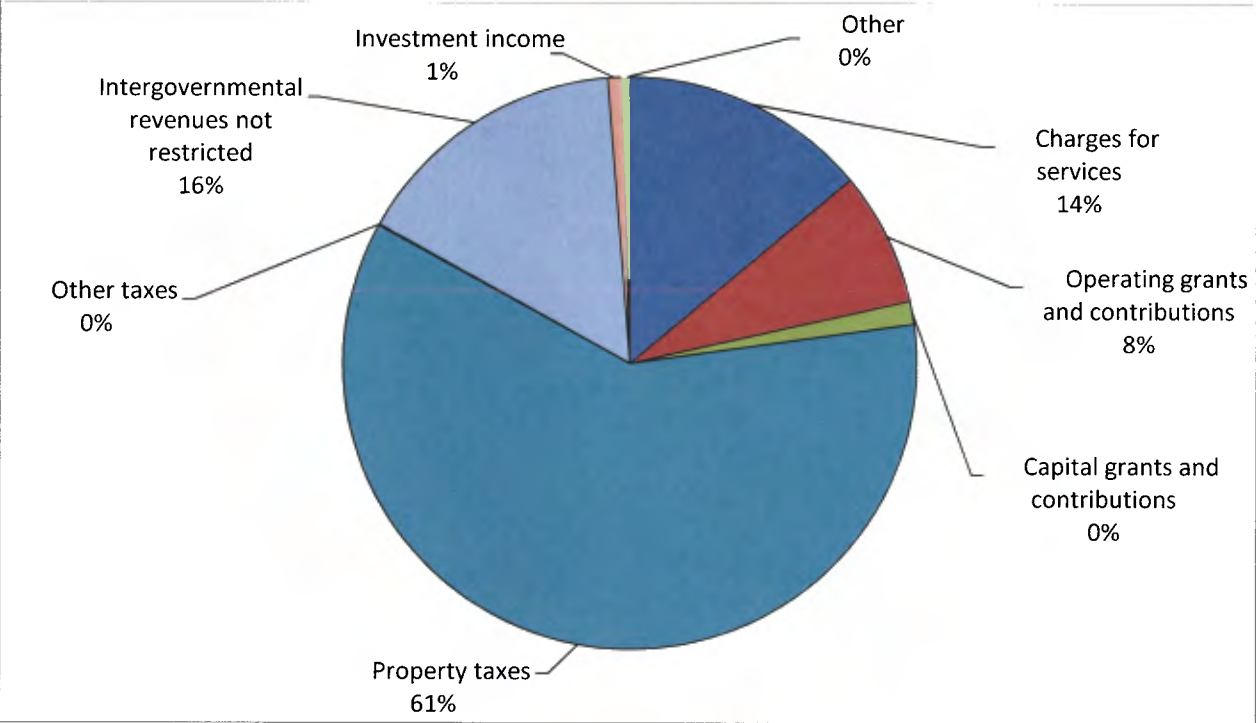
The Governmental Activities deficit of \$13.7 million principally represents utility capital assets contributed by the Governmental Activities (Tax Increment Financing (TIF) Program) to the Business-Type Activities and other noncapital development costs financed with TIF debt.

Statement of activities. The following is a more detailed review of the City's 2017 and 2016 operations.

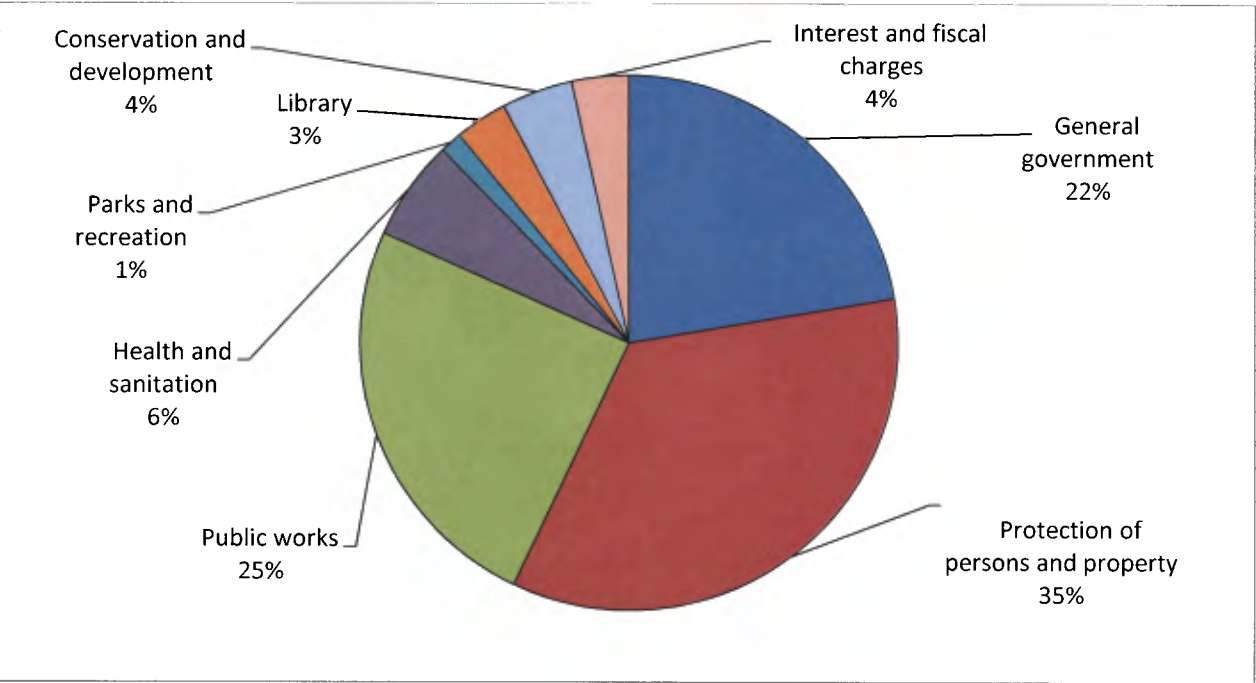
CITY OF CUDAHY'S CHANGES IN NET POSITION						
For the year ending December 31, (In Thousands)						
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues						
Charges for services	\$ 3,322	\$ 3,335	\$ 7,706	\$ 7,707	\$ 11,028	\$ 11,042
Operating grants and contributions	1,811	1,912	-	-	1,811	1,912
Capital grants and contributions	78	345	613	-	691	345
General revenues						
Property taxes	14,391	13,961	-	-	14,391	13,961
Other taxes	17	75	-	-	17	75
Intergovernmental revenues not restricted	3,749	3,709	-	-	3,749	3,709
Investment income	185	178	50	25	235	203
Other	116	135	79	47	195	182
Total revenues	23,669	23,650	8,448	7,779	32,117	31,429
Expenses						
General government	6,164	3,088	-	-	6,164	3,088
Protection of persons and property	9,598	9,548	-	-	9,598	9,548
Public works	6,802	3,777	-	-	6,802	3,777
Health and sanitation	1,677	2,138	-	-	1,677	2,138
Parks and recreation	367	291	-	-	367	291
Library	865	862	-	-	865	862
Conservation and development	1,188	2,580	-	-	1,188	2,580
Interest and fiscal charges	953	1,638	-	-	953	1,638
Water	-	-	2,285	2,163	2,285	2,163
Sewer	-	-	2,885	2,748	2,885	2,748
Storm Water	-	-	856	962	856	962
Total expenses	27,614	23,922	6,026	5,873	33,640	29,795
Increase (decrease) in net position before transfers	(3,945)	(272)	2,422	1,906	(1,523)	1,634
Transfers	449	447	(449)	(447)	-	-
Increase (decrease) in net position	(3,496)	175	1,973	1,459	(1,523)	1,634
Net position - January 1	30,005	29,830	30,478	29,019	60,483	58,849
Net position - December 31,	\$ 26,509	\$ 30,005	\$ 32,451	\$ 30,478	\$ 58,960	\$ 60,483

The significant changes between the 2017 governmental activities data compared to the 2016 data include an increase in property taxes of \$430,000, an increase of general government expenses of \$3.08 million, and an increase of public works expenses of \$3.03 million. The increase in these expenses were related to the disposal of land by the City.

Program and General Revenues by Source – Governmental Activities

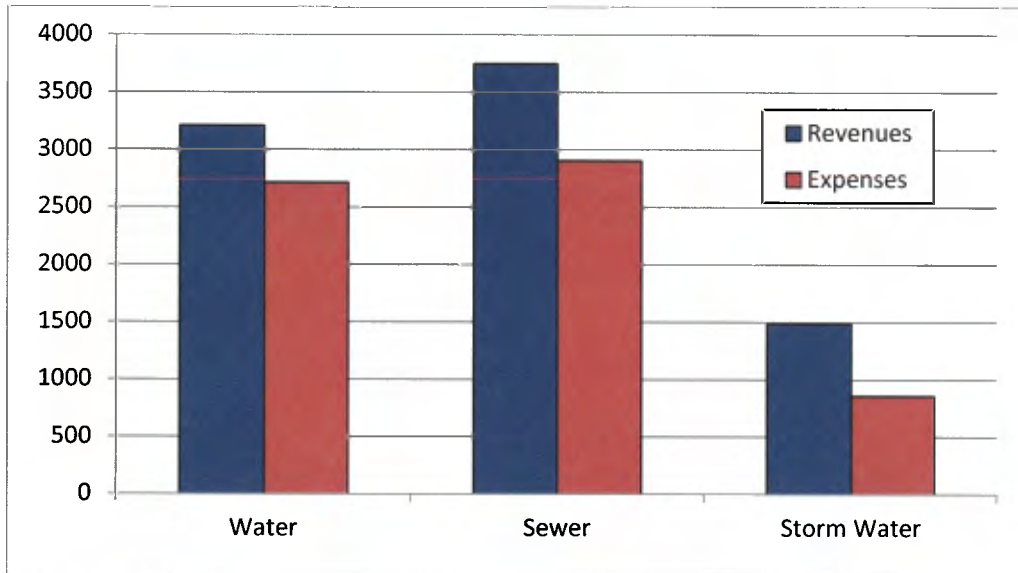


Expenses by Function – Governmental Activities

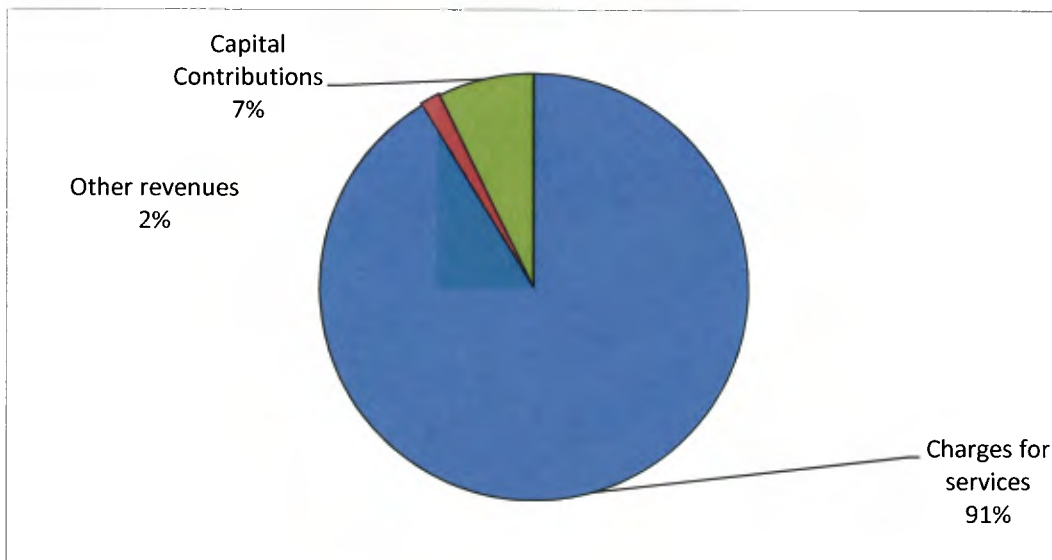


Business-type activities. The significant changes between the 2017 business-type activities compared to the 2016 data include an increase in capital contributions of \$613,000 and an increase in expenses before transfers of \$153,000.

Expenses and Program Revenues – Business-type Activities



Revenues by Source – Business-type Activities



Financial Analysis of the Governmental Funds

As noted earlier, the City of Cudahy uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Cudahy's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Cudahy's governmental funds reported combined ending fund balances of \$17.5 million, a decrease of \$2.2 million in comparison with the prior year. Approximately 14.8 percent of this total amount (\$2.6 million) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. Management has set aside \$3.4 million of unassigned fund balance to provide working capital per the City's policy. In addition, the deficit fund balance for the non-major funds (\$473,000) and restricted amounts in excess of available fund balance (\$396,000) reduces the unassigned fund balance amount. The City has nonspendable fund balance (\$905,000) for prepaid items (\$272,000), the Cudahy Family Library's children endowment fund (\$100,000), and the advance to other funds (\$533,000). Restricted fund balance (\$9.1 million) includes amounts that will be used to pay tax increment district project costs (\$809,000), debt service (\$5.7 million), tax increment district bond funds (\$364,000), noncurrent receivables (\$797,000), the Cudahy Family Library's endowment fund (\$406,000), CDA Project costs of (\$748,000) and other library activities (\$240,000). The City has also committed fund balance (\$1.8 million) for specific purposes. Lastly, the assigned fund balance (\$3.12 million) includes amounts for capital project funding (\$2.6 million) and for a variety of general fund activities (\$521,000).

The general fund is the chief operating fund of the City of Cudahy. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3.8 million, while total fund balance amounted to \$5.15 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance (\$3.8 million), which includes the fund balance set aside for working capital (\$3.4 million), to total general fund expenditures. Unassigned fund balance represents 29 percent of total general fund expenditures, while total fund balance represents 39 percent of that same amount.

Proprietary funds. The City of Cudahy's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water Utility at the end of the year amounted to \$626,000, for the Sewer Utility amounted to \$1.8 million and for the Storm Water Utility amounted to \$3.05 million. The change in net position for these funds included an increase of \$497,000 in the Water Utility, an increase of \$846,000 in the Sewer Utility and an increase \$630,000 in the Storm Water Utility.

General Fund Budgetary Highlights

Actual revenues and other financing sources were greater than budget by \$188,000. Budgetary expenditures were less than budget by \$33,000 on a total budget of \$13.3 million. In total, the General Fund results were an increase to fund balance of \$273,000. Accordingly, on a budgetary basis the General Fund experienced a total favorable budget variance of \$279,000.

Capital Asset and Debt Administration

Capital assets. The City of Cudahy's investment in capital assets (net of accumulated depreciation) for its governmental and business-type activities as of December 31, 2017 and 2016 amounts to \$80.4 million and \$85.2 million, respectively. This investment in capital assets includes land, land improvements, buildings, machinery and equipment, park facilities, utility infrastructure, street infrastructure constructed during the year and library books.

CITY OF CUDAHY'S CAPITAL ASSETS						
(net of accumulated depreciation)						
December 31,						
(In Thousands)						
	Governmental		Business-type		Total	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
Land & improvements	\$ 9,816	\$ 14,892	\$ 220	\$ 220	\$ 10,036	\$ 15,112
Construction in progress	117	232	31	25	148	257
Buildings	9,510	8,966	271	285	9,781	9,251
Machinery and equipment	2,803	3,310	1,107	1,205	3,910	4,515
Intangible assets	-	-	-	-	-	-
Infrastructure	23,821	23,969	32,286	31,701	56,107	55,670
Library books	436	438	-	-	436	438
Total	\$ 46,503	\$ 51,807	\$ 33,915	\$ 33,436	\$ 80,418	\$ 85,243

Additional information on the City of Cudahy's capital assets can be found in Note III D. on pages 46 - 48 of this report

Long-term debt. At the end of the current and prior fiscal years, the City of Cudahy had total long-term obligations outstanding of \$59.1 million and \$66.4 million, respectively. Of these amounts, debt backed by the full faith and credit of the government comprised \$30.3 million in 2017 and \$34.4 million in 2016. The remainder of the City of Cudahy's bonds represents debt secured solely by specified revenue sources (i.e., revenue bonds).

The City's total debt decreased by \$7.3 million during the current fiscal year.

CITY OF CUDAHY'S OUTSTANDING DEBT						
December 31,						
(In Thousands)						
	Governmental		Business-type		Total	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
General obligation bonds and notes	\$ 27,046	\$ 30,779	\$ 3,254	\$ 3,641	\$ 30,300	\$ 34,420
Revenue bonds	10,289	13,006	9,140	9,575	19,429	22,581
Compensated absences	952	902	-	-	952	902
Other post-employment benefits	6,833	6,146	142	130	6,975	6,276
Net pension liability	605	1,205	53	102	658	1,307
Other	616	693	218	235	834	928
Total	\$ 46,341	\$ 52,731	\$ 12,807	\$ 13,683	\$ 59,148	\$ 66,414

The City most recent Moody's ratings were: an AA3 bond rating for its general obligation debt and an A1 rating for the Community Development Authority debt, Water and Sewer Utility revenue bonds and Storm Water Utility Revenue Bonds. Standard & Poor's rating of the City's stayed at AA- in 2017.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5 percent of its total equalized valuation. The current debt limitation for the City of Cudahy is \$56.8 million which is significantly in excess of the City of Cudahy's outstanding general obligation debt of \$30.3 million.

Additional information on the City of Cudahy's long-term debt can be found in Note III F. on pages 50 - 56 of this report.

Economic Factors and Next Year's Budgets and Rates

The City of Cudahy is located in Milwaukee County, WI. The unemployment rate for Milwaukee County at December 31, 2017 was 3.1 percent which was lower than the prior year. The City has a higher percentage of low to moderate income population than Milwaukee County as a whole. However, the number of jobs available in the City of Cudahy has been increasing in the previous 12 months at several employers.

The City's population trend has also been very stable the past few years.

As disclosed in Note II D. to the financial statements, legislation exists that limits the City's future tax levies. For taxes levied in 2017 collected in 2018 the limit will be the greater of the percentage change in the City's equalized value due to new construction or zero percent. Changes in debt service from one year to the next are generally exempt from this limit.

Requests for Information

This financial report is designed to provide a general overview of the City of Cudahy's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the Comptroller, City of Cudahy, 5050 South Lake Drive, Cudahy, Wisconsin 53110.

BASIC FINANCIAL STATEMENTS

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CITY OF CUDAHY
STATEMENT OF NET POSITION
As of December 31, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 14,585,806	\$ 3,967,987	\$ 18,553,793
Taxes receivable	16,118,957	-	16,118,957
Accounts receivable, net of allowance of \$50,023	160,136	2,296,330	2,456,466
Accrued investment income	49,342	-	49,342
Special assessments receivable	437,708	504,039	941,747
Loans receivable	797,424	-	797,424
Other receivables	129,097	41,649	170,746
Internal balances	(379,445)	379,445	-
Prepaid items	272,487	-	272,487
Deposit with Cities and Villages			
Mutual Insurance Company	722,170	-	722,170
Advances	617,849	(617,849)	-
Materials and supply inventory	-	32,693	32,693
Restricted assets			
Cash and investments	2,252,900	5,462,613	7,715,513
Land held for resale	3,941,592	-	3,941,592
Capital assets			
Land	8,841,325	220,342	9,061,667
Other capital assets, net of depreciation	37,544,682	33,663,805	71,208,487
Construction in progress	116,691	31,165	147,856
Total Assets	<u>86,208,721</u>	<u>45,982,219</u>	<u>132,190,940</u>
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized loss on refunding	733,853	202,801	936,654
Deferred outflows related to pensions	4,724,661	389,524	5,114,185
Total Deferred Outflows of Resources	<u>5,458,514</u>	<u>592,325</u>	<u>6,050,839</u>
LIABILITIES			
Accounts payable and other current liabilities	1,091,955	1,089,671	2,181,626
Accrued interest payable	205,576	68,265	273,841
Noncurrent liabilities			
Net pension liability	604,947	53,341	658,288
Due within one year	7,173,173	865,983	8,039,156
Due in more than one year	38,562,972	11,887,835	50,450,807
Total Liabilities	<u>47,638,623</u>	<u>13,965,095</u>	<u>61,603,718</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue	15,607,292	-	15,607,292
Deferred inflows related to pensions	1,911,631	158,629	2,070,260
Total Deferred Inflows of Resources	<u>17,518,923</u>	<u>158,629</u>	<u>17,677,552</u>
NET POSITION			
Net investment in capital assets	32,004,584	25,522,662	54,159,953
Restricted for			
Debt service	3,968,660	305,672	4,274,332
TID activities	3,505,644	-	3,505,644
Library endowment	100,000	-	100,000
Library capital improvements	240,526	-	240,526
Library operations	405,672	-	405,672
Equipment replacement	-	1,097,097	1,097,097
Unrestricted (Deficit)	<u>(13,715,397)</u>	<u>5,525,389</u>	<u>(4,822,715)</u>
TOTAL NET POSITION	<u>\$ 26,509,689</u>	<u>\$ 32,450,820</u>	<u>\$ 58,960,509</u>

See accompanying notes to financial statements.

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CITY OF CUDAHY

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2017

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Governmental Activities							
General government	\$ 6,164,404	\$ 374,842	\$ -	\$ -	\$ (5,789,562)	\$ -	(5,789,562)
Protection of persons and property	9,598,110	1,686,105	178,086	-	(7,733,919)	-	(7,733,919)
Public works	6,802,102	474,902	1,002,443	15,248	(5,309,509)	-	(5,309,509)
Health and sanitation	1,676,779	731,111	166,007	-	(779,661)	-	(779,661)
Parks and recreation	366,520	532	-	-	(365,988)	-	(365,988)
Library	864,969	54,884	464,511	-	(345,574)	-	(345,574)
Conservation and development	1,188,010	-	125	62,772	(1,125,113)	-	(1,125,113)
Interest and fiscal charges	953,219	-	-	-	(953,219)	-	(953,219)
Total Governmental Activities	27,614,113	3,322,376	1,811,172	78,020	(22,402,545)	-	(22,402,545)
Business-type Activities							
Water	2,285,427	2,952,800	-	195,482	-	862,855	862,855
Sewer	2,884,545	3,299,023	-	417,576	-	832,054	832,054
Storm Water	855,845	1,453,971	-	-	-	598,126	598,126
Total Business-type Activities	6,025,817	7,705,794	-	613,058	-	2,293,035	2,293,035
Totals	\$ 33,639,930	\$ 11,028,170	\$ 1,811,172	\$ 691,078	(22,402,545)	2,293,035	(20,109,510)
General Revenues:							
Taxes:							
Property taxes, levied for general purposes					7,373,976	-	7,373,976
Property taxes, levied for debt service					1,526,078	-	1,526,078
Property taxes, levied for tax increment districts					5,490,657	-	5,490,657
Other taxes					17,270	-	17,270
Intergovernmental revenues not restricted to specific programs					3,749,119	-	3,749,119
Investment income					185,289	49,800	235,089
Miscellaneous					115,081	79,302	194,383
Transfers					449,462	(449,462)	-
Total General Revenues and Transfers					18,906,932	(320,360)	18,586,572
Change in Net Position							
					(3,495,613)	1,972,675	(1,522,938)
NET POSITION - Beginning of Year							
					30,005,302	30,478,145	60,483,447
NET POSITION - END OF YEAR							
	\$	26,509,689	\$	32,450,820	\$	58,960,509	\$

CITY OF CUDAHY

BALANCE SHEET GOVERNMENTAL FUNDS As of December 31, 2017

	Special Revenue Fund			Capital Projects Fund			Capital Projects Fund			Other Nonmajor Governmental Funds			Total Governmental Funds
	General	Tax	Debt Service	Tax	Capital Projects	Capital Projects Fund	Capital Improvements	Nonmajor Governmental Funds	Total Governmental Funds				
		Increment	Fund	Increment	Fund								
		District #1	Debt	District #1	Capital								
	Tax Levy	Service	Capital Projects										
ASSETS													
Cash and investments	\$ 3,535,763	\$ 216,931	\$ 4,174,236	\$ -	\$ 2,480,004	\$ 3,680,606	\$ 14,087,540						
Accounts receivable (net of allowance uncollectibles of \$50,023)	-	-	-	-	-	-	-						
Taxes receivable	6,780,892	5,350,961	1,549,279	4,337	-	2,433,488	16,118,957						
Special assessments receivable	-	-	-	-	-	437,708	437,708						
Loans receivable	-	-	-	797,424	-	-	797,424						
Other receivables	110,833	48,291	-	857	-	-	159,981						
Due from other funds	1,124,194	-	-	-	-	-	1,124,194						
Advance to other funds	617,849	-	-	-	-	-	100,000						
Restricted cash and investments	-	-	1,547,812	-	-	705,088	2,252,900						
Prepaid items	272,168	-	-	-	-	319	272,487						
Total Assets	\$ 12,441,699	\$ 5,616,183	\$ 7,271,327	\$ 802,618	\$ 2,480,004	\$ 7,500,870	\$ 36,112,701						

CITY OF CUDAHY

**BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2017**

	Special Revenue Fund			Capital Projects Fund			Total Governmental Funds
	General	Tax Increment District #1 Tax Levy	Debt Service Fund Debt Service	Tax Increment District #1 Capital Projects	Capital Projects Fund Improvements	Other Nonmajor Governmental Funds	
LIABILITIES							
Accounts payable	\$ 237,785	\$ 51,413	\$ -	\$ 869	\$ -	\$ 215,924	\$ 505,991
Accrued liabilities	407,584	-	-	926	-	27,716	436,226
Due to other funds	379,445	-	-	395,525	-	728,669	1,503,639
Advance from other funds	-	-	-	-	-	100,000	100,000
Total Liabilities	1,024,814	51,413	-	397,320	-	1,072,309	2,545,856
DEFERRED INFLOWS OF RESOURCES							
Unearned revenues	6,263,584	5,350,961	1,549,279	4,337	-	2,439,131	15,607,292
Unavailable revenues	-	-	-	-	-	437,708	437,708
Total Deferred Inflows of Resources	6,263,584	5,350,961	1,549,279	4,337	-	2,876,839	16,045,000
FUND BALANCES							
Nonspendable	804,366	-	-	-	-	100,319	904,685
Restricted	-	213,809	5,722,048	797,424	-	2,353,822	9,087,103
Committed	-	-	-	-	-	1,818,275	1,818,275
Assigned	520,772	-	-	-	2,480,004	117,566	3,118,332
Unassigned (Deficit)	3,828,163	-	-	(396,463)	-	(838,250)	2,593,450
Total Fund Balances	5,153,301	213,809	5,722,048	400,961	2,480,004	3,551,722	17,521,845
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 12,441,699	\$ 5,616,183	\$ 7,271,327	\$ 802,618	\$ 2,480,004	\$ 7,500,870	\$ 36,112,701

CITY OF CUDAHY

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION For the Year Ended December 31, 2017

Fund balance - total governmental funds	\$ 17,521,845
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets and other assets used in governmental funds are not financial resources and, therefore, are not reported in the funds.

Land held for resale	3,941,592
Land	8,841,325
Construction in progress	116,691
Other capital assets	69,708,819
Less: Accumulated depreciation	(32,164,137)

Some receivables that are not currently available are reported as deferred revenue in the fund financial statements but are recognized as revenue when earned in the government-wide statements.

Special assessments	437,708
---------------------	---------

Internal service funds are used by management to charge costs of insurance coverage to individual funds. The assets and liabilities of the internal service fund are included in government activities in the statement of net position.

	1,105,631
--	-----------

The net pension liability does not relate to current financial resources and is not reported in the governmental funds.

	(604,947)
--	-----------

Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds

	4,724,661
--	-----------

Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds

	(1,911,631)
--	-------------

Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, not reported in the funds.

Bonds and notes payable	(37,334,722)
Unamortized loss on refunding	733,853
Unamortized debt premium	(616,457)
Compensated absences	(952,318)
Accrued interest	(205,576)
Unfunded OPEB liability	(6,832,648)

NET POSITION OF GOVERNMENTAL ACTIVITIES

	<u>\$ 26,509,689</u>
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STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2017

See accompanying notes to financial statements.

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CITY OF CUDAHY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended December 31, 2017

Net change in fund balances - total governmental funds	\$ (2,168,264)
--	----------------

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities.

Capital outlay is reported as an expenditure in the fund financial statements but is reported in the government-wide financial statements as capital or other assets	3,349,981
Some items reported as capital outlay were not capitalized	(294,606)
Depreciation is reported in the government-wide statements	(2,083,572)
Net book value of assets retired	(7,062,701)

Receivables not currently available are reported as revenue when collected or currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.	(152,104)
---	-----------

Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal repaid	6,438,424
Payments on tax increment revenue bonds	11,922

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Vested compensated absences	(50,711)
Net OPEB liability	(686,139)
Accrued interest on debt	100,925
Net pension liability	599,838
Deferred outflows related to pensions	(2,025,363)
Deferred inflows related to pensions	623,820

Governmental funds report debt premiums and discounts as other financing sources (uses) or expenditures. However, in the statement of net position, these are deferred and reported as other additions or deductions from long-term debt. These are allocated over the period the debt is outstanding in the statement of activities and are reported as interest expense.

Amortization of loss on refunding	(139,387)
Amortization of debt premium	77,040

Internal service funds are used by management to charge self insurance costs to individual funds.	(34,716)
---	----------

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ (3,495,613)
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CITY OF CUDAHY

STATEMENT OF NET POSITION PROPRIETARY FUNDS As of December 31, 2017

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water Utility	Sewer Utility	Storm Water Utility	Totals	
ASSETS					
Current Assets					
Cash and investments	\$ 368,021	\$ 1,108,638	\$ 2,491,328	\$ 3,967,987	\$ 498,266
Accounts receivable	831,224	990,503	474,603	2,296,330	34,933
Special assessment receivables	182,888	321,151	-	504,039	-
Other receivables	41,435	214	-	41,649	-
Due from other funds	168,108	140,638	70,699	379,445	-
Materials and supply inventory	32,693	-	-	32,693	-
Restricted assets - cash and investments	108,533	54,175	186,502	349,210	-
Total Current Assets	1,732,902	2,615,319	3,223,132	7,571,353	533,199
Non-Current Assets					
Restricted assets	150,207	3,957,721	1,005,475	5,113,403	-
Cash and investments	150,207	3,957,721	1,005,475	5,113,403	-
Total Restricted Assets					
Capital Assets					
Land	168,317	-	52,025	220,342	-
Property and equipment	21,703,674	10,164,540	18,781,694	50,649,908	-
Less: Accumulated depreciation	(11,562,681)	(2,319,745)	(3,103,677)	(16,986,103)	-
Construction in progress	-	23,802	7,363	31,165	-
Total Capital Assets, Net of Depreciation	10,309,310	7,868,597	15,737,405	33,915,312	-
Investment in Cities and Villages Mutual Insurance Company	-	-	-	-	722,170
Total Non-Current Assets	10,459,517	11,826,318	16,742,880	39,028,715	722,170
Total Assets	12,192,419	14,441,637	19,966,012	46,600,068	1,255,369
DEFERRED OUTFLOWS OF RESOURCES					
Unamortized loss on refunding	23,478	6,304	173,019	202,801	-
Deferred outflows related to pensions	245,531	61,087	82,906	389,524	-
Total Deferred Outflows of Resources	269,009	67,391	255,925	592,325	-

See accompanying notes to financial statements.

CITY OF CUDAHY

STATEMENT OF NET POSITION PROPRIETARY FUNDS As of December 31, 2017

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water Utility	Sewer Utility	Storm Water Utility	Totals	
LIABILITIES					
Current Liabilities	\$ 227,981	\$ 724,314	\$ 680	\$ 952,975	\$ 149,738
Accounts payable	24,144	6,790	5,896	36,830	-
Accrued payroll	99,866	-	-	99,866	-
Accrued compensated absences	2,838	8,626	13,263	24,727	-
Accrued interest on general obligation debt	85,651	-	-	85,651	-
Current portion of advance from municipality	132,575	138,241	145,167	415,983	-
Current portion of general obligation debt					
Current Liabilities Payable from Restricted Assets	1,867	22,087	19,584	43,538	-
Accrued interest on revenue bonds	160,000	15,000	275,000	450,000	-
Current portion of revenue bonds	734,922	915,058	459,590	2,109,570	149,738
Total Current Liabilities					
Noncurrent Liabilities					
Net OPEB obligation	142,062	-	-	142,062	-
Net pension liability	31,527	10,044	11,770	53,341	-
Advance from municipality	532,198	-	-	532,198	-
Long-term debt, net of current maturities					
General obligation debt	463,559	1,117,118	1,471,476	3,052,153	-
Revenue bonds payable	173,620	4,130,000	4,390,000	8,693,620	-
Total Noncurrent Liabilities	1,342,966	5,257,162	5,873,246	12,473,374	-
Total Liabilities	2,077,888	6,172,220	6,332,836	14,582,944	149,738
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions	97,180	25,030	36,419	158,629	-
NET POSITION					
Net investment in capital assets	9,553,241	5,835,337	10,134,084	25,522,662	-
Restricted for debt service	106,666	32,088	166,918	305,672	-
Restricted for equipment replacement	-	596,926	500,171	1,097,097	-
Unrestricted	626,453	1,847,427	3,051,509	5,525,389	1,105,631
TOTAL NET POSITION	\$ 10,286,360	\$ 8,311,778	\$ 13,852,682	\$ 32,450,820	\$ 1,105,631

See accompanying notes to financial statements.

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CITY OF CUDAHY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION PROPRIETARY FUNDS

For the Year Ended December 31, 2017

	Business-type Activities - Enterprise Funds			Governmental Activities -	
	Water Utility	Sewer Utility	Storm Water Utility	Totals	Internal Service Fund
OPERATING REVENUES					
Charges for services and sales	\$ 2,766,658	\$ 3,299,023	\$ 1,453,971	\$ 7,519,652	\$ -
Other operating revenues	186,142	-	-	186,142	-
Total Operating Revenues	<u>2,952,800</u>	<u>3,299,023</u>	<u>1,453,971</u>	<u>7,705,794</u>	<u>-</u>
OPERATING EXPENSES					
Operation and maintenance	1,683,755	2,581,341	424,322	4,689,418	70,348
Depreciation	528,415	129,326	245,646	903,387	-
Total Operating Expenses	<u>2,212,170</u>	<u>2,710,667</u>	<u>669,968</u>	<u>5,592,805</u>	<u>70,348</u>
Operating Income (Loss)	<u>740,630</u>	<u>588,356</u>	<u>784,003</u>	<u>2,112,989</u>	<u>(70,348)</u>
NONOPERATING REVENUES (EXPENSES)					
Investment income	2,866	22,720	18,963	44,549	35,632
Interest on special assessments	671	4,580	-	5,251	-
Miscellaneous	17,988	-	-	17,988	-
Amortization of debt premium	442	6,400	10,388	17,230	-
DNR grant revenue	41,435	-	-	41,435	-
DNR grant expense	(41,435)	-	-	(41,435)	-
Interest expense	(24,778)	(171,984)	(169,133)	(365,895)	-
Amortization of loss on refunding	(7,044)	(1,894)	(16,744)	(25,682)	-
FEMA reimbursement	-	-	2,649	2,649	-
Total Nonoperating Revenues (Expenses)	<u>(9,855)</u>	<u>(140,178)</u>	<u>(153,877)</u>	<u>(303,910)</u>	<u>35,632</u>
Income (Loss) Before Contributions and Transfers	<u>730,775</u>	<u>448,178</u>	<u>630,126</u>	<u>1,809,079</u>	<u>(34,716)</u>
CAPITAL CONTRIBUTIONS - SPECIAL ASSESSMENTS TRANSFERS OUT					
	195,482	417,576	-	613,058	-
	<u>(429,253)</u>	<u>(20,209)</u>	<u>-</u>	<u>(449,462)</u>	<u>-</u>
Change in Net Position	<u>497,004</u>	<u>845,545</u>	<u>630,126</u>	<u>1,972,675</u>	<u>(34,716)</u>
NET POSITION - Beginning of Year	<u>9,789,356</u>	<u>7,466,233</u>	<u>13,222,556</u>	<u>30,478,145</u>	<u>1,140,347</u>
NET POSITION - END OF YEAR	<u>\$ 10,286,360</u>	<u>\$ 8,311,778</u>	<u>\$ 13,852,682</u>	<u>\$ 32,450,820</u>	<u>\$ 1,105,631</u>

See accompanying notes to financial statements.

CITY OF CUDAHY

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

For the Year Ended December 31, 2017

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water Utility	Sewer Utility	Storm Water Utility	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 2,872,132	\$ 3,203,510	\$ 1,454,346	\$ 7,529,988	\$ -
Cash received from (paid to) city	52,255	(52,255)	-	-	368
Cash paid to suppliers for goods and services	(971,317)	(2,367,272)	(248,998)	(3,587,587)	(70,063)
Cash payments to employees for services	(564,487)	(160,860)	(177,728)	(903,075)	-
Net Cash Flows From Operating Activities	1,388,583	623,123	1,027,620	3,039,326	(69,695)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Cash payments from (to) city	(429,253)	(20,209)	-	(449,462)	-
Advances (to) from other funds	(84,804)	-	-	(84,804)	-
Net Cash Flows From Non-capital Financing Activities	(514,057)	(20,209)	-	(534,266)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(508,349)	(340,779)	(585,711)	(1,434,839)	-
Special assessments received	12,594	96,425	-	109,019	-
Principal paid on debt	(281,313)	(146,213)	(394,050)	(821,576)	-
Interest paid on debt	(31,348)	(167,697)	(181,117)	(380,162)	-
Net Cash Flows From Capital and Related Financing Activities	(808,416)	(558,264)	(1,160,878)	(2,527,558)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment income	3,537	27,329	19,218	50,084	35,632
Net Cash Flows From Investing Activities	3,537	27,329	19,218	50,084	35,632
Net Change in Cash and Cash Equivalents	69,647	71,979	(114,040)	27,586	(34,063)
CASH AND CASH EQUIVALENTS - Beginning of Year	557,114	5,048,555	3,797,345	9,403,014	532,329
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 626,761	\$ 5,120,534	\$ 3,683,305	\$ 9,430,600	\$ 498,266

See accompanying notes to financial statements.

CITY OF CUDAHY

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

For the Year Ended December 31, 2017

	Business-type Activities - Enterprise Funds				Governmental Activities -	
	Water Utility	Sewer Utility	Storm Water Utility	Total	Internal Service Fund	
CASH AND CASH EQUIVALENTS - STATEMENT OF NET POSITION						
Unrestricted	\$ 368,021	\$ 1,108,638	\$ 2,491,328	\$ 3,967,987	\$	498,266
Restricted - current	108,533	54,175	186,502	349,210		-
Restricted - non-current	150,207	3,957,721	1,005,475	5,113,403		-
	<u>\$ 626,761</u>	<u>\$ 5,120,534</u>	<u>\$ 3,683,305</u>	<u>\$ 9,430,600</u>	<u>\$</u>	<u>498,266</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES						
Operating income (loss)	\$ 740,630	\$ 588,356	\$ 784,003	\$ 2,112,989	\$	(70,348)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows From Operating Activities						
Depreciation	528,415	129,326	245,646	903,387		-
Depreciation charged to other accounts	52,254	-	-	52,254		-
Non-operating income	17,988	-	2,649	20,637		-
Change in Assets, Deferred Outflows, Liabilities, and Deferred Inflows						
Accounts receivable	(98,656)	(95,513)	(2,274)	(196,443)		368
Materials and supplies inventory	17,343	195	195	17,733		-
Accounts payable	82,510	(19,898)	(24,112)	38,500		285
Accrued expenses	(7,688)	3,179	3,143	(1,366)		-
Net OPEB obligation	12,228	-	-	12,228		-
Pension related deferrals and liabilities	43,559	17,478	18,370	79,407		-
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 1,388,583</u>	<u>\$ 623,123</u>	<u>\$ 1,027,620</u>	<u>\$ 3,039,326</u>	<u>\$</u>	<u>(69,695)</u>
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES						
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES						
Amortization of premium	\$ 442	\$ 6,400	\$ 10,388	\$ 17,230	\$	-
Amortization of loss on advance refunding	\$ (7,044)	\$ (1,894)	\$ (16,744)	\$ (25,682)	\$	-
Assessment of benefits to property owners for improvements	\$ 182,888	\$ 321,151	\$ -	\$ 504,039	\$	-

See accompanying notes to financial statements.

CITY OF CUDAHY

STATEMENT OF ASSETS AND LIABILITIES

AGENCY FUND

As of December 31, 2017

	<u>Tax Roll</u>
ASSETS	
Cash and investments	<u>\$ 18,451,120</u>
LIABILITIES	
Due to other taxing units	<u>\$ 18,451,120</u>

CITY OF CUDAHY

INDEX TO NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Cudahy ("City"), Wisconsin conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

A. REPORTING ENTITY

This report includes all of the funds of the City of Cudahy. The reporting entity for the City consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financial accountable or other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if (1) it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization, (2) it appoints a voting majority of the organization's governing body and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, (3) the organization is fiscally dependent on and there is a potential for the organization to provide specific benefits to, or impose specific financial burdens on, the primary government. Certain legally separate, tax exempt organizations should also be reported as a component unit if all the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government or its component units, is entitled to, or has the ability to access, a majority of the economic resources received or held by the separate organization; and (3) the economic resources received or held by an individual organization that the primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

Component units are reported using one of two methods, discrete presentation or blending. Generally, component units should be discretely presented in a separate column in the financial statements. A component unit should be reported as part of the primary government using the blending method if it meets any one of the following criteria: (1) the primary government and the component unit have substantively the same governing body and a financial benefit or burden relationship exists, (2) the primary government and the component unit have substantively the same governing body and management of the primary government has operational responsibility for the component unit, (3) the component unit serves or benefits, exclusively or almost exclusively, the primary government rather than its citizens, or (4) the total debt of the component unit will be paid entirely or almost entirely from resources of the primary government.

Blended Component Units

The Community Development Authority of the City of Cudahy ("Authority") is governed by a seven member board appointed by the Mayor and confirmed by the City Common Council. Although it is legally separate from the City, the Authority is reported as a blended component unit, as if it were part of the primary government, because its sole purpose is to finance and construct the City's projects located within the City of Cudahy Tax Incremental Financing Districts. The Authority does not issue separate financial statements.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. REPORTING ENTITY (continued)

Blended Component Units (continued)

The Cudahy Family Library Endowment Fund Inc., a nonprofit corporation, is considered a component unit of the Cudahy Family Library because of its financial relationship with the Library. The financial transactions of the Cudahy Family Library Endowment Fund Inc. are accounted for in the Library Fund. Separate statements were not issued for the Cudahy Family Library Endowment Fund Inc.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City does not allocate indirect expenses to functions in the Statement of Activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

Fund Financial Statements

Financial statements of the City are organized into funds, each of which are considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund equity, revenues, and expenditure/expenses

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

Funds are organized as major funds or non-major funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental fund or enterprise fund that met the 10% test is at least 5% of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or enterprise fund that the City believes is particularly important to financial statement users may be reported as a major fund.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

General Fund – accounts for the City's primary operating activities. It is used to account for and report all financial resources except those accounted for and reported in another fund.

Tax Increment District (TID) #1 Tax Levy Special Revenue Fund – used to account for and report grants and local revenues legally restricted or committed to supporting expenditures for the TID #1 program.

Debt Service Fund – used to account for and report financial resources for that are restricted, committed, or assigned to expenditure for the payment of general long-term debt principal, interest, and related costs, other than TID or enterprise debt.

Tax Increment District (TID) #1 Capital Projects Fund – used to account for and report financial resources that are restricted, committed, or assigned to expenditures outlined in Tax Increment District #1 project plan.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

Capital Improvements Capital Projects Fund – used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets for the capital improvement program.

The City reports the following major enterprise funds:

Water Utility – accounts for operations of the water system.

Sewer Utility – accounts for operations of the sanitary sewer system.

Storm Water Utility – accounts for operations of the storm water system.

The City reports the following non-major governmental funds:

Special Revenue Funds – used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes (other than debt service or capital projects).

Library Fund

Ambulance Fund

Grant Fund

Health Grant Fund

Recycling Fund

Special Collections Fund

Special Assessment Fund

Environmental Tax Increment District Fund #1

Environmental Tax Increment District Fund #2

K-9 Fund

Hotel & Motel Tax Fund

Rental Property Inspection Fund

Capital Projects Funds – used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Community Development Authority Fund

Road and Equipment Improvements Fund

In addition, the City reports the following fund types:

Internal service funds are used to account for and report the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governmental units, on a cost-reimbursement basis. The City accounts for its self-insured activities in the Internal Service Fund.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

Agency funds are used to account for and report assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units. The City accounts for its tax collections in the Agency Fund.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred inflows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water, sewer, and storm water utilities and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (continued)

Fund Financial Statements

Property taxes are recorded in the year levied as receivables and deferred inflows. They are recognized as revenues in the succeeding year when services financed by the levy are being provided.

Intergovernmental aids and grants are recognized as revenues in the period the City is entitled to the resources and the amounts are available. Amounts owed to the City which are not available are recorded as receivables and unavailable revenues. Amounts received before eligibility requirements (excluding time requirements) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and unavailable revenues.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, certain public charges for services, and interest. Other general revenues such as special assessments, fines and forfeitures, inspection fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

Proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note. Agency funds follow the accrual basis of accounting, and do not have a measurement focus.

The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods or services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Special assessments are recorded as receivables and contribution revenue when levied. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

All Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY

1. Deposits and Investments

For purposes of the statement of cash flows, the City considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

Investment of City funds is restricted by state statutes. Available investments are limited to:

1. Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
2. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, the University of Wisconsin Hospitals and Clinics Authority or the Wisconsin Aerospace Authority.
3. Bonds or securities issued or guaranteed by the federal government.
4. The local government investment pool.
5. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
6. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
7. Repurchase agreements with public depositories, with certain conditions.

The City has adopted an investment policy. That policy follows the state statute for allowable investments, and addresses credit risk and interest rate risk.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on methods and inputs as outlined in Note III.A. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated based on average balances. The difference between the bank statement balance and carrying value is due to outstanding checks and/or deposits in transit.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2017, the fair value of the City's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

See Note III.A. for further information.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (continued)

2. Receivables

Property taxes are levied in December on the assessed value as of the prior January 1. In addition to property taxes for the City, taxes are collected for and remitted to the state and county governments as well as the local school district and technical college district. Taxes for all state and local governmental units billed in the current year for the succeeding year are reflected as receivables and due to other taxing units on the accompanying agency fund statement of assets and liabilities.

Property tax calendar – 2017 tax roll:

Lien date and levy date	December 2017
Tax bills mailed	December 2017
Payment in full, or	January 31, 2018
First installment due	January 31, 2018
Second installment due	March 31, 2018
Third installment due	May 31, 2018
Personal property taxes in full	January 31, 2018
Final settlement with County	On or before August 15, 2018
Tax deed by county – 2017 delinquent real estate taxes	October 2020

Accounts receivable have been shown net of an allowance for uncollectible accounts. Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof. No provision for uncollectible accounts receivable has been made for the water, sewer and storm water utilities because they have the right by law to place delinquent bills on the tax roll, and other delinquent bills are generally not significant.

The City provides water, sewer, and storm water service to customers primarily within its municipal boundaries. Sales to the two largest customers are billed monthly, all other customers are billed on a tri-annual cycle basis, payable in 20 days, for all classes of customers for service rendered during the previous tri-annual period. Water rates are approved by the Public Service Commission. Sewer service charges to consumers are computed at rates established by the City's Common Council. Certified commercial and industrial customers are billed for sewer service charges at amounts determined by the Milwaukee Metropolitan Sewerage District plus local maintenance and equipment replacement charges. Storm water rates are established by the City's Common Council. Unbilled revenues from the last billing to the end of the year are estimated and recorded as accrued utility revenues. Delinquent balances at the time of the property tax lien date are placed on the customer's tax bill and collected through the normal tax collection process.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (continued)

2. Receivables (continued)

In the governmental fund financial statements, advances to other funds are offset equally by a nonspendable fund balance account which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation or by a restricted fund balance account, if the funds will ultimately be restricted when the advance is repaid.

3. Inventories and Prepaid Items

Governmental fund inventory items are charged to expenditure accounts when purchased. Year-end inventory was not significant. Proprietary fund inventories are generally used for construction and/or for operation and maintenance work. They are not for resale. They are valued at lower of cost or market on a first in, first out basis, and charged to construction and/or operation and maintenance expense when used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

4. Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. The excess of restricted assets over current liabilities payable from restricted assets will be used first for retirement of related long-term debt. The remainder, if generated from earnings, is shown as restricted net position.

5. Capital Assets

Government-Wide Statements

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 for general capital assets and \$10,000 for infrastructure assets, and an estimated useful life in excess of one year. The Water Utility defines a capital asset as an asset with an initial cost of more than \$1,000 and an estimated useful life in excess of one year. All capital assets are valued at historical cost or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (continued)

5. Capital Assets (continued)

Government-Wide Statements (continued)

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. No interest was capitalized during the current year. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and improvements	20-40	Years
Land improvements	20-30	Years
Machinery and equipment	2-25	Years
Library books	10	Years
Utility system	18-100	Years
Infrastructure	15-40	Years
Intangible assets	3-5	Years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

6. Land Held for Resale

During prior years, the City purchased certain parcels of land for economic development purposes with an aggregate cost of \$6,450,821. In addition, during this time period, the City sold or disposed of land valued at \$2,509,229. These properties are included in the City's Tax Increment District No. 1 and are part of the City's redevelopment plan. It is the intent of management to sell these properties at market value. The carrying value of the land held for resale of \$3,941,592 is at the lower of cost or market.

7. Other Assets

The City's investment in the Cities and Villages Mutual Insurance Company is recorded at cost.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (continued)

8. Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time.

A deferred charge on refunding arises from the advance refunding of debt. The difference between the cost of the securities placed in trust for future payment of refunded debt and the net carrying value of that debt is deferred and amortized as a component of interest expense over the shorter of the term of the refunding issue or the original term of the refunded debt. The unamortized amount is reported as a deferred outflow of resources in the government-wide and proprietary fund statements. Amortization for 2017 was \$139,387 and \$25,682 for the governmental activities and business-type activities, respectively.

9. Compensated Absences

Employees earn varying amounts of vacation based on length of service. Vacation is not cumulative. Sick pay benefits may be accumulated by employees in accordance with the provisions of union contracts and administrative policies to specified maximums. Accumulated sick leave benefits are payable in cash in accordance with the terms of the applicable contract or policies upon an employee's retirement or death. Included in the government-wide statements is \$277,813 of vacation earned but not paid and estimated future accumulated sick pay benefits of \$674,505 at December 31, 2017 for all employees.

10. Long-Term Obligations/Conduit Debt

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of notes and bonds payable, other postemployment benefit liability and accrued compensated absences.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting in proprietary funds is the same as it is in the government-wide statements.

For the government-wide statements and proprietary fund statements, bond premiums and discounts are amortized over the life of the issue using the straight-line method or effective interest method. The balance at year end is shown as an increase or decrease in the liability section of the statement of net position.

The City has approved the issuance of industrial revenue bonds (IRB) for the benefit of private business enterprises. IRB's are secured by mortgages or revenue agreements on the associated projects, and do not constitute indebtedness of the City. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The total amount of IRB's outstanding at the end of the year is \$2,135,599 made up of one issue.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (continued)

11. Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position/fund balance that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

12. Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in three components:

- a. Net Investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent debt proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net positions that do not meet the definition of “restricted” or “net investment in capital assets.”

The net position section includes an adjustment for capital assets owned by the business-type activities column but financed by debt of the governmental activities column. The amount is a reduction of “net investment in capital assets,” and an increase in “unrestricted” net position, shown only in the total column. A reconciliation of this adjustment is as follows:

	Governmental Activities	Business-type Activities	Adjustment	Total
Net Investment in capital assets	\$ 32,004,584	\$ 25,522,662	\$ (3,367,293)	\$ 54,159,953
Unrestricted (deficit)	(13,715,397)	5,525,389	3,367,293	(4,822,715)

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Financial Statements

Governmental fund equity is classified as fund balance and displayed as follows:

- a. Nonspendable – Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (continued)

12. Equity Classifications (continued)

Fund Financial Statements (continued)

- b. Restricted – Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- c. Committed – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the City. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the City that originally created the commitment.
- d. Assigned – Includes spendable fund balance amounts that are intended to be used for specific purposes that do not meet the criteria to be classified as restricted or committed. Fund balance may be assigned through the following; 1) The City has adopted a financial policy authorizing the City Mayor and Finance Director to assign amounts for a specific purpose. 2) All remaining positive spendable amounts in governmental funds, other than the general fund, that are neither restricted nor committed. Assignments may take place after the end of the reporting period.
- e. Unassigned – Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceeds amounts restricted, committed or assigned for those purposes.

Propriety fund equity is classified the same as in the government-wide statements.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents / contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City has a formal minimum fund balance policy. That policy is to maintain a working capital fund of 25% of subsequent years general fund revenues. The balance at year end was \$3,401,685 and is included in the general fund unassigned fund balance.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

13. Basis for Existing Rates

Current water rates were approved by the Public Service Commission of Wisconsin on December 21, 2015, effective January 1, 2016.

Current sewer rates and storm water rates were approved by the Common Council on December 15, 2015, effective January 1, 2016.

14. Pension

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms, investments are reported at fair value.

NOTE II – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

A budget has been adopted for the following funds in accordance with Wisconsin Statute 65.90.

- General Fund
- Special Revenue Funds
 - Library Operating Fund
 - Ambulance Fund
 - Health Grant Fund
 - Recycling Fund
 - Special Collections Fund
 - Rental Property Inspection Fund
- Debt Service Fund
- Capital Projects Fund
 - Tax Increment District #1 Capital Projects, (for administration expenditures only)
 - Road and Equipment Improvements Fund

Budgets have not been formally adopted for remaining City funds.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE II – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

B. EXCESS EXPENDITURES OVER APPROPRIATIONS

Actual expenditures exceeded budgeted appropriations in the following governmental funds:

Fund	Budget Expenditures	Actual Expenditures	Excess Expenditures Over Budget
Debt Service Fund - Debt Service	\$ 7,409,619	\$ 7,430,220	\$ 20,601
Special Revenue Fund - Rental Property Inspection Fund	84,513	127,087	42,574
Special Revenue Fund - Library	879,460	1,384,670	505,210
Capital Projects Fund - Road and Equipment Improvements Fund	450,000	466,726	16,726

C. DEFICIT BALANCES

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year end.

As of December 31, 2017, the following individual funds held a deficit balance:

Fund	Amount
Special Revenue Fund - Grant Fund	\$ 12,236
Special Revenue Fund - Environmental TIF #2 Fund	447,575
Special Revenue Fund - Hotel & Motel Tax Fund	13,558

The TIF district deficit is anticipated to be funded with future incremental taxes levied over the life of the district. The deficits in the remaining funds will be funded by future grants, general tax revenues or long-term debt.

D. LIMITATIONS ON THE CITY'S TAX LEVY

Wisconsin law limits the city's future tax levies. Generally the City is limited to its prior tax levy dollar amount (excluding TIF districts), increased by the greater of the percentage change in the City's equalized value due to new construction or zero percent. Changes in debt service from one year to the next are generally exempt from this limit with certain exceptions. The City is required to reduce its allowable levy by the estimated amount of fee revenue it collects for certain services, if those services were funded in 2013 by the property tax levy. Levies can be increased above the allowable limits if the amount is approved by referendum.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE III – DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The City's cash and investments at year end were comprised of the following:

	Carrying Value	Bank Balance	Associated Risks
Deposits	\$ 33,718,783	\$ 30,196,193	Custodial credit
Mutual funds	1,912,374	1,912,374	Credit, interest rate
LGIP	9,085,689	9,085,689	Credit
Petty cash	3,580	n/a	
Total Cash and Investments	<u>\$ 44,720,426</u>	<u>\$ 41,194,256</u>	
Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 18,553,793		
Restricted cash and investments	7,715,513		
Per statement of net position - agency fund	18,451,120		
Total Cash and Investments	<u>\$ 44,720,426</u>		

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposits (interest-bearing and noninterest-bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts. Deposits in the credit union are insured by the National Credit Union Administration in the amount of \$250,000 for all share draft accounts and \$250,000 for all share certificate and regular share accounts.

Bank accounts and credit unions are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the nature of this fund, recovery of material principal losses may not be significant to individual municipalities. This coverage has been considered in computing custodial credit risk.

The City's investment policy states that funds placed in any one depository above the FDIC insurance coverage amount must be collateralized with securities that are obligations of the U.S. Government or its agencies that are fully guaranteed by the U.S. Government. Securities held as collateral shall be delivered for safekeeping to a custodial bank. The City maintains a collateral agreement with one of its banks. At December 31, 2017, the bank had pledged various government securities in the amount of \$23.9 million to secure the City's deposits.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

A. DEPOSITS AND INVESTMENTS (continued)

The valuation method for recurring fair value measurements is as follows:

> Market Value

Investment Type	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 1,912,374	\$ -	\$ -	\$ 1,912,374

Custodial Credit Risk

Deposits – Custodial credit risk is the risk that, in the event of a financial institution failure, the City's deposits may not be returned to the City.

As of December 31, 2017, \$2.4 million of the City's total bank balances of \$30.2 million was exposed to custodial credit risk by being uninsured and uncollateralized.

Investments – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The City does not have an investment policy pertaining to custodial credit risk.

As of December 31, 2017 the City does not have any investments subject to custodial credit risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The City's investment policy addresses credit risk by 1) limiting investments to the safest type of securities; 2) pre-qualifying the financial institutions, broker/dealer, intermediaries and advisors with which the City will do business; and 3) diversifying the investment portfolio so that potential losses on individual securities are minimized.

As of December 31, 2017 the City's investments were rated as follows:

Investment Type	Standard & Poor's	Moody's	Bank Balance
Mutual funds	AAAm	Aaa-mf	\$ 1,912,374
LGIP	Not Rated	Not Rated	9,085,689

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. The City's investment policy addresses interest rate risk by 1) structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations thereby avoiding the need to sell securities on the open market prior to maturity; and 2) investing operating funds primarily in shorter-term securities.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

A. DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk (continued)

As of December 31, 2017 the City's investments were as follows:

Investment Type	Fair Value	Weighted Average Maturity (Days)
Mutual funds	\$ 1,912,374	30

B. RECEIVABLES

Special assessments of \$437,708 and Tax Increment District No.1 receivables of \$797,424 are not expected to be collected within one year. All other receivables are expected to be collected within one year.

Governmental funds report *unavailable or unearned revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Property taxes levied for the subsequent year are not earned and cannot be used to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *unavailable revenue and unearned revenue* reported in the governmental funds were as follows:

	Unearned	Unavailable
Property taxes receivable for subsequent year	\$ 15,601,649	\$ -
Special assessments receivable	-	437,708
Subsequent period prepayments	5,643	-
Total Unavailable/Unearned Revenue for Governmental Funds	\$ 15,607,292	\$ 437,708

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

C. RESTRICTED ASSETS

Long Term Debt Accounts

The City's Water, Sewer and Storm Water Utility created Special Redemption Funds to additionally secure the payment of principal and interest on revenue bonds. The City ordinances which required the creation of Special Redemption Funds also required the establishment of a separate "Reserve Fund" within the Special Redemption Fund. The Construction Fund consists of unspent bond proceeds required to be used for future water, sewer and storm water improvements. Restricted assets consist of the following:

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Storm Water Utility</u>	<u>Total</u>
Revenue Bond Funds				
Reserve Fund	\$ 127,721	\$ 303,854	\$ 459,228	\$ 890,803
Construction Fund	-	3,056,941	46,075	3,103,016
Special Redemption Fund	<u>108,533</u>	<u>54,175</u>	<u>186,502</u>	<u>349,210</u>
BALANCES - December 31, 2017	<u>\$ 236,254</u>	<u>\$ 3,414,970</u>	<u>\$ 691,805</u>	<u>\$ 4,343,029</u>

The City of Cudahy Community Development Authority has issued Redevelopment Lease Revenue bonds to finance certain expenditures within the City of Cudahy Tax Increment Districts. In connection therewith, certain debt service reserve and redemption accounts have been placed with an escrow agent. These deposits amount to \$1,912,374 at December 31, 2017.

Library Accounts

The City of Cudahy Library Fund has certain amounts that are restricted for purposes of supporting activities, programs and capital improvements at the Library. These deposits amount to \$340,526 at December 31, 2017.

Equipment Replacement Account

In accordance with the City's ordinance enacting a sewer user charge system and Department of Natural Resources' regulations, the Sewer Utility has, as part of the rate structure, incorporated an equipment replacement charge. Revenues generated from this charge are to be accumulated and used for the replacement of mechanical equipment. The balance in this reserve as of December 31, 2017 is \$596,926. In addition, the City set aside funds in the Storm Water Utility for equipment replacement funds. The balance in this reserve as of December 31, 2017 is \$500,172.

Depreciation Account

The City's Water Utility created a depreciation account to report resources set aside to fund plant renewals and replacement or make up potential future deficiencies in the redemption account. The balance in this reserve as of December 31, 2017 is \$22,486.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 14,599,528	\$ -	\$ 5,758,203	\$ 8,841,325
Construction in progress	232,429	116,691	232,429	116,691
Total Capital Assets				
Not Being Depreciated	14,831,957	116,691	5,990,632	8,958,016
Capital assets being depreciated				
Land improvements	385,764	693,331	-	1,079,095
Buildings	13,216,011	783,972	-	13,999,983
Machinery and equipment	8,827,497	99,002	1,223,129	7,703,370
Intangible assets	89,665	-	-	89,665
Library books	980,011	89,753	129,691	940,073
Infrastructure	44,852,998	1,505,055	461,420	45,896,633
Total Capital Assets				
Being Depreciated	68,351,946	3,171,113	1,814,240	69,708,819
Less: Accumulated depreciation for				
Land improvements	(93,686)	(11,022)	-	(104,708)
Buildings	(4,249,865)	(240,566)	-	(4,490,431)
Machinery and equipment	(5,517,790)	(535,845)	1,153,699	(4,899,936)
Intangible assets	(89,665)	-	-	(89,665)
Library books	(542,427)	(91,516)	129,692	(504,251)
Infrastructure	(20,883,622)	(1,204,623)	13,099	(22,075,146)
Total Accumulated Depreciation	(31,377,055)	(2,083,572)	1,296,490	(32,164,137)
Net Capital Assets Being Depreciated	36,974,891	1,087,541	517,750	37,544,682
Total Governmental Activities Capital Assets, Net of Depreciation	\$ 51,806,848	\$ 1,204,232	\$ 6,508,382	\$ 46,502,698

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

D. CAPITAL ASSETS (continued)

Depreciation expense was charged to functions as follows:

Governmental Activities

General government	\$ 140,470
Protection of persons and property	251,930
Public works, which includes the depreciation of infrastructure	1,501,735
Health and sanitation	6,927
Library	170,189
Park and recreation	12,321
Total Governmental Activities Depreciation Expense	<u>\$ 2,083,572</u>

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type Activities				
Capital assets not being depreciated				
Land	\$ 220,342	\$ -	\$ -	\$ 220,342
Construction in progress	24,685	14,237	7,757	31,165
Total Capital Assets				
Not Being Depreciated	245,027	14,237	7,757	251,507
Capital assets being depreciated				
Water Utility buildings and structures	2,689,634	73,089	2,383	2,760,340
Water Utility machinery and equipment	5,613,389	180,156	64,102	5,729,443
Water Utility infrastructure	12,959,788	255,105	1,001	13,213,892
Storm Water Utility infrastructure	18,624,226	581,654	424,186	18,781,694
Sewer Utility infrastructure	9,828,429	336,111	-	10,164,540
Total Capital Assets				
Being Depreciated	49,715,466	1,426,115	491,672	50,649,909
Less: Accumulated depreciation for				
Water Utility buildings and structures	(2,404,509)	(87,200)	2,383	(2,489,326)
Water Utility machinery and equipment	(4,408,067)	(278,554)	64,102	(4,622,519)
Water Utility infrastructure	(4,236,921)	(214,916)	1,001	(4,450,836)
Storm Water Utility infrastructure	(3,282,216)	(245,646)	424,186	(3,103,676)
Sewer Utility infrastructure	(2,192,665)	(129,326)	2,244	(2,319,747)
Total Accumulated Depreciation	(16,524,378)	(955,642)	493,916	(16,986,104)
Net Capital Assets Being Depreciated	33,191,088	470,473	(2,244)	33,663,805
Total Business-type Activities Capital Assets, Net of Depreciation	<u>\$ 33,436,115</u>	<u>\$ 484,710</u>	<u>\$ 5,513</u>	<u>\$ 33,915,312</u>

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

D. CAPITAL ASSETS (continued)

Depreciation expense was charged to functions as follows:

Business-Type Activities

Water	\$ 528,415
Sewer	129,326
Storm Water	<u>245,646</u>
Total Business-type Activities Depreciation Expense	<u>\$ 903,387</u>

Depreciation expense may be different from business-type activity accumulated depreciation additions because of joint metering, salvage, costs of removal, internal allocations, or costs associated with the disposal of assets.

E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS

The following is a schedule of interfund receivables and payables including any overdrafts on pooled cash and investment accounts:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Water Utility	General	\$ 168,108
Sewer Utility	General	140,638
Storm Water Utility	General	70,699
General	Special Revenue Fund - Grant	12,236
General	Capital Projects Fund - Tax Incremental District #1 Capital Projects	395,525
General	Special Revenue Fund - Environmental TIF #2	702,979
General	Special Revenue Fund - Hotel & Motel Tax	<u>13,454</u>
Sub-total		1,503,639
Less: Fund eliminations		<u>(1,124,194)</u>
Total Internal Balances - Government-Wide Statement of Net Position		<u>\$ 379,445</u>

The principal purposes of these interfunds are the collection of delinquent utility bills on the tax roll and the allocation of comingled cash between funds. All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The general fund is advancing funds to the Water Utility. The amount advanced is determined by the cost associated with the water tower painting and the cash flow deficiency from inception of the project. The general fund is charging the Water Utility interest on the advance based on the average outstanding advance balance during the year at a rate of 1%.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (continued)

Repayment schedule for the advance follows:

Year	Principal	Interest	Total
2018	\$ 85,651	\$ 6,179	\$ 91,830
2019	86,508	5,322	91,830
2020	87,373	4,457	91,830
2021	88,247	3,583	91,830
2022	89,129	2,701	91,830
2023 - 2024	180,941	2,718	183,659
	<u>\$ 617,849</u>	<u>\$ 24,960</u>	<u>\$ 642,809</u>

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Purpose</u>
General	Water Utility	\$ 429,253	Tax equivalent
General	Sewer Utility	20,209	Tax equivalent
Debt Service Fund - Debt Service	Special Revenue Fund - Tax Incremental District #1 Tax Levy	5,667,263	Debt service
Debt Service Fund - Debt Service	Special Revenue Fund - Environmental Tax Incremental District Fund #1	138,513	Debt service
Debt Service Fund - Debt Service	Special Revenue Fund - Environmental Tax Incremental District Fund #2	100,843	Debt service
Special Revenue Fund - Environmental Tax Incremental District Fund #2	Special Revenue Fund - Environmental Tax Incremental District Fund #1	133,734	TID revenue
Subtotal - Fund financial statements		6,489,815	
Less: Fund eliminations		(6,040,353)	
Total Transfers - Government-wide Statement of Activities		<u>\$ 449,462</u>	
Governmental Activities	Business-type Activities	\$ 449,462	
Business-type Activities	Governmental Activities	-	
Total		<u>\$ 449,462</u>	

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (continued)

Generally, transfers are used to 1) move revenues from the fund that collects them to the fund that the budget requires to expend them, 2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and 3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General Obligation Debt					
Bonds	\$ 12,074,314	\$ -	\$ 1,198,424	\$ 10,875,890	\$ 1,179,017
Refunding bonds	18,705,000	-	2,535,000	16,170,000	2,920,000
Total General Obligation Debt	30,779,314	-	3,733,424	27,045,890	4,099,017
Redevelopment Lease Revenue Bonds	12,425,000	-	2,705,000	9,720,000	2,780,000
Tax Increment Revenue Bonds	580,754	-	11,922	568,832	-
Total Bonds and Notes Payable	43,785,068	-	6,450,346	37,334,722	6,879,017
Add: Unamortized debt premium	693,497	-	77,040	616,457	-
Total Governmental Activities	44,478,565	-	6,527,386	37,951,179	6,879,017
Other Liabilities					
Vested compensated absences	901,607	363,571	312,860	952,318	294,156
Net OPEB liability	6,146,509	686,139	-	6,832,648	-
Net pension liability	1,204,785	-	599,838	604,947	-
Total Other Liabilities	8,252,901	1,049,710	912,698	8,389,913	294,156
Total Governmental Activities					
Long-Term Liabilities	\$ 52,731,466	\$ 1,049,710	\$ 7,440,084	\$ 46,341,092	\$ 7,173,173

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

F. LONG-TERM OBLIGATIONS (continued)

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Business-type Activities					
Revenue Bonds Payable	\$ 9,575,000	\$ -	\$ 435,000	\$ 9,140,000	\$ 450,000
General Obligation Bonds Payable	3,640,687	-	386,576	3,254,111	415,983
Add: Unamortized debt premium	234,875	-	17,230	217,645	-
Total Business-type Activities					
Bonds Payable	13,450,562	-	838,806	12,611,756	865,983
Other Liabilities					
Net OPEB liability	129,834	32,046	19,818	142,062	-
Net pension liability	101,514	-	48,173	53,341	-
Total Other Liabilities	231,348	32,046	67,991	195,403	-
Total Business-type Activities					
Long-Term Liabilities	\$ 13,681,910	\$ 32,046	\$ 906,797	\$ 12,807,159	\$ 865,983

General Obligation Debt

All general obligation notes and bonds payable are backed by the full faith and credit of the City. Notes and bonds in the governmental funds will be retired by future property tax levies or tax increments accumulated by the debt service fund. Business-type activities debt is payable by revenues from user fees of those funds.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

F. LONG-TERM OBLIGATIONS (continued)

In accordance with Wisconsin Statutes, total general obligation indebtedness of the City may not exceed five percent of the equalized value of taxable property within the City's jurisdiction. The debt limit as of December 31, 2017, was \$56,834,530. Total general obligation debt outstanding at year end was \$30,300,001.

	Date of Issue	Final Maturity	Interest Rates	Original Amount	Balance 12/31/2017
Governmental Activities					
General Obligation Debt					
Refunding Bonds	9/9/2010	11/1/2019	2.0 - 2.25%	\$ 4,140,000	\$ 960,000
	4/12/2012	4/1/2022	.5 - 3.125	1,825,000	1,105,000
	4/12/2012	6/1/2022	2.0 - 2.5	5,255,000	2,855,000
	5/23/2013	10/1/2029	2.0 - 3.25	3,575,000	2,070,000
	6/2/2015	3/1/2027	2.0 - 2.75	5,195,000	4,510,000
	4/19/2016	4/1/2028	1.0 - 2.07	1,360,000	1,335,000
	9/1/2016	10/1/2030	2.0 - 2.85	3,720,000	3,335,000
					<u>16,170,000</u>
General Obligation Bonds	2/1/2010	2/1/2030	1.0 - 5.95	1,555,000	65,000
	10/13/2011	3/1/2031	2.0 - 4.0	10,053,669	6,435,890
	4/15/2014	4/1/2023	2.0 - 2.15	865,000	650,000
	4/15/2014	4/1/2034	2.0 - 4.0	2,380,000	2,315,000
	4/19/2016	4/1/2026	1.7 - 2.0	1,550,000	1,410,000
					<u>10,875,890</u>
Total Governmental Activities					
General Obligation Debt					<u>\$ 27,045,890</u>

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

F. LONG-TERM OBLIGATIONS (continued)

General Obligation Debt (continued)

	Date of Issue	Final Maturity	Interest Rates	Original Amount	Balance 12/31/2017
Business-type Activities					
General Obligation Bonds					
Storm Water Utility	10/13/2011	3/1/2031	2.0 - 4.0%	\$ 1,106,230	\$ 708,156
Water Utility	10/13/2011	3/1/2031	2.0 - 4.0	228,280	146,134
Sewer Utility	10/13/2011	3/1/2031	2.0 - 4.0	366,821	234,821
Storm Water Utility	5/23/2013	10/1/2029	2.0 - 3.25	1,045,000	785,000
Sewer Utility	5/23/2013	10/1/2029	2.0 - 3.25	1,015,000	745,000
Water Utility	4/19/2016	4/1/2021	1.0 - 2.125	560,000	450,000
Sewer Utility	4/19/2016	4/1/2021	1.0 - 2.125	230,000	185,000
Total Business-type Activities General Obligation Debt					<u>\$ 3,254,111</u>

Debt service requirements to maturity are as follows:

	Governmental Activities General Obligation Debt		Business-type Activities General Obligation Debt	
	Principal	Interest	Principal	Interest
2018	\$ 4,099,017	\$ 658,166	\$ 415,983	\$ 85,665
2019	4,342,438	561,581	432,562	76,337
2020	4,327,307	455,853	447,693	66,336
2021	4,520,860	350,503	464,140	55,693
2022	2,561,452	248,241	273,548	45,309
2023-2027	4,557,374	787,304	807,625	144,743
2028-2032	2,182,442	276,170	412,560	25,004
2033-2034	455,000	18,300	-	-
Totals	<u>\$ 27,045,890</u>	<u>\$ 3,356,118</u>	<u>\$ 3,254,111</u>	<u>\$ 499,087</u>

Revenue Debt

The Community Development Authority (CDA) of the City of Cudahy (City) issued Redevelopment Lease Revenue Bonds pursuant to Sections 66.4325, 66.431 and 66.436 of the Wisconsin Statutes for the purpose of financing project costs associated with the City's Tax Incremental District #1. The bonds are not general obligations of the CDA or the City, and do not constitute an indebtedness within any constitutional or statutory limitation or provision. The bonds are payable solely out of the revenues and income derived by the CDA pursuant to a lease agreement between the City and the CDA.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

F. LONG-TERM OBLIGATIONS (continued)

Revenue Debt (continued)

In conjunction with the issuance of the bonds, the CDA and City entered into a lease agreement which generally provides for payments by the City to the CDA in amounts sufficient to pay the principal and interest payments on the bonds as they come due. It is the City's intent to annually budget the rental payments under the lease, and finance such payments with tax increments generated by Tax Incremental District #1.

The CDA is part of the primary government for financial reporting purposes. Accordingly, the CDA's debt and assets are reported as part of the City's debt and assets. The City has reported the proceeds of debt issued for construction in its capital projects funds. Debt service activity is reported in the City's Debt Service Fund. Lease arrangements between the City and CDA have been eliminated for reporting purposes.

Revenue debt payable at December 31, 2017 consists of the following:

	Date of Issue	Final Maturity	Interest Rates	Original Amount	Balance 12/31/2017
Governmental Activities					
Lease Development Revenue Bonds	10/13/2011	6/1/2022	.75 - 3.25%	\$ 3,200,000	\$ 1,790,000
	3/14/2012	6/1/2022	.6 - 2.6	3,580,000	2,610,000
	11/1/2012	6/1/2027	1.25 - 4.3	1,430,000	1,185,000
	3/7/2013	6/1/2019	.7 - 1.75	5,265,000	1,865,000
	4/19/2016	6/1/2019	3.0 - 4.35	3,395,000	2,270,000
Total Governmental Activities					
Revenue Debt					<u>\$ 9,720,000</u>
Business-type Activities					
Water and Sewer System					
Revenue Bonds					
Water Utility	4/2/2008	5/1/2018	3.75 - 4.0%	\$ 1,120,000	\$ 130,000
Storm Water Utility	4/2/2008	5/1/2028	3.25 - 4.5	4,150,000	185,000
Sewer Utility	5/6/2014	5/1/2034	3.0 - 3.625	4,175,000	4,145,000
Water Utility	5/6/2014	5/1/2034	3.0 - 3.625	260,000	200,000
Storm Water Utility	5/6/2014	5/1/2034	3.0 - 3.50	1,890,000	1,710,000
Storm Water Utility	9/1/2016	5/1/2028	2.0	2,790,000	2,770,000
Total Business-type					
Activities Revenue Debt					<u>\$ 9,140,000</u>

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

F. LONG-TERM OBLIGATIONS (continued)

Revenue Debt (continued)

Debt service requirements to maturity are as follows:

	Governmental Activities		Business-type Activities	
	Revenue Debt		Revenue Debt	
	Principal	Interest	Principal	Interest
2018	\$ 2,780,000	\$ 189,204	\$ 450,000	\$ 253,056
2019	2,815,000	146,956	460,000	239,106
2020	1,025,000	111,146	460,000	227,556
2021	1,015,000	84,673	495,000	215,531
2022	1,130,000	54,718	600,000	201,481
2023-2027	955,000	100,596	2,990,000	773,482
2028-2032	-	-	2,550,000	382,841
2033-2034	-	-	1,135,000	44,775
Totals	<u>\$ 9,720,000</u>	<u>\$ 687,293</u>	<u>\$ 9,140,000</u>	<u>\$ 2,337,828</u>

The Water, Sewer and Storm Water Utilities have pledged future revenues, net of specified operating expenses, to repay \$9,140,000 of revenue bonds issued in 2008, 2014 and 2016. Proceeds from the bonds provided financing for the Water, Sewer and Storm Water Utilities. The bonds are payable solely from utility revenues and are payable through 2034. Annual principal and interest payments on the bonds are expected to require 23% of net revenues. Total principal and interest remaining to be paid on the bonds is \$11.5 million. Principal and interest paid for the current year and total customer net revenues were \$713,456 and \$3,060,925 respectively.

Other Debt Information

Estimated payments of vested compensated absences, net pension liability, and the net OPEB liability are not included in the debt service requirement schedules. The vested compensated absences, net pension liability, and the net OPEB liability attributable to governmental activities will be liquidated primarily by the general fund.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

F. LONG-TERM OBLIGATIONS (continued)

Tax Increment Project Revenue Bonds

The City has authorized the issuance of Tax Incremental Project Revenue Bonds for the purpose of financing certain projects to eliminate blight and encourage development. The principal on the bonds is solely payable from tax increments in Tax Increment District No. 1 after certain developments have met established thresholds of equalized value to the City. In conjunction with the authorization of this debt issue, the City entered into a developer agreement for the sale of the debt issue to local businesses to provide development incentives to assist the developer in undertaking the project. The details related to the debt issue is:

<u>TID No.</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Amount</u>	<u>Balance 12/31/17</u>
1	08/26/02	11/1/2022	None	\$ 702,576	<u>\$ 568,832</u>

The bonds have no established repayment terms. Any obligation for repayment will expire on the maturity date shown above.

Defeasance of Debt

The City defeased certain general obligation and revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At December 31, 2017, \$3,820,000 of bonds outstanding are considered defeased. The bonds are callable as follows:

<u>Call Date</u>	<u>Amount</u>
2/1/18	\$ 1,175,000
5/1/18	2,645,000

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

G. NET POSITION/FUND BALANCES

Governmental Activities

Net position reported on the government-wide statement of net position at December 31, 2017 include the following:

Net Investment in Capital Assets	
Land	\$ 8,841,325
Construction in progress	116,691
Other capital assets, net of accumulated depreciation	37,544,682
Less: long-term debt outstanding	(37,334,722)
Plus: non-capital long-term debt	20,716,145
Plus: unspent capital related debt proceeds	2,053,712
Plus: unamortized debt premium of capital debt	599,675
Less: loss on refunding of capital debt	<u>(532,924)</u>
Total Net Investment in Capital Assets	<u>32,004,584</u>
Restricted for	
Debt service	3,968,660
TID activities	3,505,644
Library endowment	100,000
Library capital improvements	240,526
Library operations	<u>405,672</u>
Total Restricted	<u>8,220,502</u>
Unrestricted (deficit)	<u>(13,715,397)</u>
 Total Governmental Activities Net Position	 <u><u>\$ 26,509,689</u></u>

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

G. *NET POSITION/FUND BALANCES* (continued)

Governmental Activities (continued)

Governmental fund balances reported on the fund financial statements at December 31, 2017 include the following:

Nonspendable	
Major Funds	
General Fund	
Prepaid items	\$ 272,168
Advance to other funds (Due after 2018)	<u>532,198</u>
Total Major Funds	<u>\$ 804,366</u>
Nonmajor Funds	
Special Revenue Funds	
Library Fund - Library Children's Endowment	\$ 100,000
Hotel & Motel Tax Fund	<u>319</u>
Total Nonmajor Funds	<u>\$ 100,319</u>
Restricted	
Major Funds	
Special Revenue Fund - Tax Increment District #1 Tax Levy -	
Project costs	\$ 213,809
Debt Service Fund - Debt service	5,722,048
Capital Projects Fund - Tax Increment District #1 -	
Noncurrent receivables	<u>797,424</u>
Total Major Funds	<u>\$ 6,733,281</u>

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

G. NET POSITION/FUND BALANCES (continued)

Governmental Activities (continued)

Restricted (continued)

Nonmajor Funds

Special Revenue Funds

Library Fund - Library Endowment Fund	\$	240,526
Library Fund - Library activities		405,672
Environmental Tax Incremental District Fund #1 - Project costs		594,866
Environmental Tax Incremental District Fund #2 - Bond funds		364,562

Capital Projects Funds

Community Development Authority Fund - Project costs		748,196
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Total Nonmajor Funds	\$	<u>2,353,822</u>
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Committed

Nonmajor Funds

Special Revenue Funds

Library Fund	\$	66,139
Ambulance Fund		106,140
Health Grant Fund		21,635
Recycling Fund		120,226
Special Collections Fund		198,973
Special Assessment Fund		1,133,349
K-9 Fund		2,321
Rental Property Inspection Fund		169,492

Total Nonmajor Funds	\$	<u>1,818,275</u>
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CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

G. NET POSITION/FUND BALANCES (continued)

Governmental Activities (continued)

Assigned

Major Funds

General Fund

Subsequent year budget appropriations	\$	342,000
Equipment acquisition - Computer equipment and software		124,705
Voting machines		10,454
State Asset forfeiture		2,067
Safety grant		280
Police department		31,266
Election training		10,000
Sub-Total		<u>520,772</u>

Capital Improvements Fund - subsequent years expenditures		<u>2,480,004</u>
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Total Major Funds	\$	<u>3,000,776</u>
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Nonmajor Funds

Capital Projects Funds

Road & Equipment Improvements Fund	\$	<u>117,556</u>
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Unassigned (deficits)

Major Funds

General Fund

Capital Projects Fund - Tax Increment District #1		<u>(396,463)</u>
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Total Major Funds	\$	<u>3,431,700</u>
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Nonmajor Funds

Special Revenue Funds

Grant Fund

Environmental TIF #2	\$	(12,236)
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Hotel & Motel Tax Fund		<u>(13,877)</u>
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Total Nonmajor Funds	\$	<u>(838,250)</u>
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CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

G. NET POSITION/FUND BALANCES (continued)

Business-Type Activities

Business-type activities net position reported on the government-wide statement of net position at December 31, 2017 includes the following:

Net Investment in Capital Assets	
Land	\$ 220,342
Construction in progress	31,165
Other capital assets, net of accumulated depreciation	33,663,805
Less: related long-term debt outstanding	(12,408,955)
 Add: Unspent proceeds of long-term debt	 4,016,305
Total Net Investment in Capital Assets	<u>25,522,662</u>
Restricted	
Equipment replacement	1,097,097
Debt service	305,672
Total Restricted	<u>1,402,769</u>
 Unrestricted	 <u>5,525,389</u>
 Total Business-Type Activities Net Position	 <u>\$ 32,450,820</u>

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE IV – OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

General Information About the Pension Plan

Plan description. The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at <http://etf.wi.gov/publications/cafr.htm>.

Vesting. For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

Benefits provided. Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

Final average earnings is the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits. The WRS also provides death and disability benefits for employees

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE IV – OTHER INFORMATION (continued)

A. EMPLOYEES' RETIREMENT SYSTEM (continued)

Post-Retirement adjustments. The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the "floor") set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

Year	Core Fund Adjustment	Variable Fund Adjustment
2007	3.0%	10%
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees and Executives and Elected Officials. Starting January 1, 2016, the Executives and Elected Officials category merged into the General Employee category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$762,699 in contributions from the City.

Contribution rates as of December 31, 2017 are:

	Employee	Employer
General (Executives & Elected Officials)	6.8%	6.8%
Protective with Social Security	6.8%	10.6%
Protective without Social Security	6.8%	14.9%

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE IV – OTHER INFORMATION (continued)

A. EMPLOYEES' RETIREMENT SYSTEM (continued)

Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2017, the City reported a liability of \$658,288 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net pension liability was based on the city's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2016, the City's proportion was 0.07986622%, which was a decrease of 0.00052240% from its proportion measured as of December 31, 2015.

For the year ended December 31, 2017, the City recognized pension expense of \$1,711,180.

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 251,005	\$ 2,070,260
Changes in assumption	688,266	-
Net differences between project and actual earnings on pension plan	3,276,751	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	68,095	-
Employer contributions subsequent to the measurement date	830,068	-
Total	\$ 5,114,185	\$ 2,070,260

\$830,068 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended December 31:	Deferred Outflows of Resources	Deferred Inflows of Resources
2018	\$1,558,364	\$660,960
2019	1,558,364	660,960
2020	1,271,497	660,960
2021	(105,412)	87,380
2022	1,304	-
Thereafter	-	-

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE IV – OTHER INFORMATION (continued)

A. EMPLOYEES' RETIREMENT SYSTEM (continued)

Actuarial assumptions. The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	December 31, 2015
Measurement date of net pension liability	December 31, 2016
Actuarial cost method	Entry Age
Asset valuation method	Fair Market Value
Long-term expected rate of return	7.2%
Discount rate	7.2%
Salary increases	
Salary increases	3.2%
Salary increases	0.2% - 5.6%
Mortality	Wisconsin 2012 Mortality Table
Post-retirement adjustments	2.1%

** No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.*

Actuarial assumptions are based upon an experience study conducted in 2015 using experience from 2012 – 2014. The total pension liability for December 31, 2016 is based upon a roll-forward of the liability calculated from the December 31, 2015 actuarial valuation.

Long-term expected return on plan assets. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Core Fund Asset Class	Current Asset Allocation %	Destination Target Asset Allocation %	Long-Term Expected Rate of Return %	Long-Term Real Rate of Return
Global Equities	50%	45%	8.3%	5.4%
Fixed Income	24.5	37	4.2	1.4
Inflation Sensitive Assets	15.5	20	4.3	1.5
Real Estate	8	7	6.5	3.6
Private Equity/Debt	8	7	9.4	6.5
Multi-Asset	4	4	6.6	3.7
Total Core Fund	110	120	7.4	4.5

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE IV – OTHER INFORMATION (continued)

A. EMPLOYEES' RETIREMENT SYSTEM (continued)

Variable Fund Asset Class	Current Asset Allocation %	Destination Target Asset Allocation %	Long-Term Expected Rate of Return %	Long-Term Real Rate of Return
US Equities	70%	70%	7.6%	4.7%
International Equities	30	30	8.5	5.6
Total Variable Fund	100	100	7.9	5.0

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%

Assets Allocations are managed within established ranges, target percentages may differ from actual monthly allocations

Single discount rate. A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.78%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
City proportionate share of the net pension liability (asset)	\$ 8,660,205	\$ 658,288	\$ (5,503,550)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/publications/cafr.htm>.

At December 31, 2017, the City reported a payable to the pension plan of \$113,367, which represents contractually required contributions outstanding as of the end of the year.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE IV – OTHER INFORMATION (continued)

B. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors and omissions; worker's compensation; environmental damage; and health care of its employees. The City purchases general and automobile liability insurance from the Cities and Villages Mutual Insurance Company. The City purchases commercial insurance for all other risks. Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

Self Insurance

In 1992, the City issued \$702,926 taxable General Obligation Refunding Bonds to provide financing of the City's participation in the Wisconsin Municipal Insurance Commission ("WMIC"). The WMIC is an intergovernmental cooperative commission formed to facilitate the formation of the Cities and Villages Mutual Insurance Company ("CVMIC"). The CVMIC is a separate and distinct entity independent of the WMIC and is owned by the participating cities and villages of the WMIC. The CVMIC was formed to provide liability insurance to Wisconsin municipalities as of January 1, 1988.

In prior years, the CVMIC paid dividends to the City based on a schedule designed to enable the City to partially or totally finance the City's debt service requirements on its related debt. As of December 31, 2007, the City's debt and the WMIC's debt were paid in full. The WMIC has no assets, liabilities, equity or financial activity for the year ended December 31, 2017.

The CVMIC provides the City with \$5 million of liability coverage for losses over its self-insurance retention level of \$100,000 or \$125,000 per occurrence with a \$450,000 aggregate stop loss. Losses paid by CVMIC plus administrative expenses will be recovered through premiums to the participating pool of municipalities.

The City's annual cost is its annual premium, claims and other operating expenses. An annual premium is charged to cover expected claims and administrative costs. The claims component of the premium is determined by independent actuaries and allocated among participating municipalities based on payroll and loss history. The City and other participating cities and villages are subject to cover loss experiences, which exceed predictions through retrospective assessments.

Management of each organization consists of a board of directors or officers comprised of representatives elected by each of three classes of participants based on population. The municipality does not exercise any control over the activities of the agencies beyond the election of the officers and board.

Percentage participation can be affected by acceptance of new members to WMIC and CVMIC. The City's percentage participation in WMIC and CVMIC at December 31, 2017 was 1.67%. Upon withdrawal, expulsion or dissolution, the City would be entitled to a lump sum payment which at December 31, 2017 would approximate \$450,000.

Complete financial statements for CVMIC can be obtained directly from CVMIC's offices.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE IV – OTHER INFORMATION (continued)

B. RISK MANAGEMENT (continued)

Self Insurance (continued)

A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable. Liabilities include an amount for claims that have been incurred but not reported.

	<u>Beginning Balance</u>	<u>Claims and Changes in Estimates</u>	<u>Payments</u>	<u>Ending Balance</u>
2016 \$	149,454	\$ 13,418	\$ (13,419)	\$ 149,453
2017	149,453	18,315	(18,030)	149,738

At December 31, 2017, the Liability Insurance Fund has net position of approximately \$1.11 million.

C. COMMITMENTS AND CONTINGENCIES

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments are only reported in governmental funds if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. There were no significant claims or judgments at year end.

From time to time, the City is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the City attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the City's financial position or results of operations.

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

The City has active construction projects as of December 31, 2017. Work that has been completed on these projects but not yet paid for (including contract retainages) is reflected as accounts payable and expenditures.

D. OTHER POSTEMPLOYMENT BENEFITS

The City administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides health insurance contributions for eligible retirees and their spouses through the City's group health insurance plan, which covers both active and retired members. Benefit provisions are established through collective bargaining agreements and state that eligible retirees and their spouses receive lifetime healthcare insurance at established contribution rates. The Retiree Health Plan does not issue a publicly available financial report.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE IV – OTHER INFORMATION (continued)

D. OTHER POSTEMPLOYMENT BENEFITS (continued)

Contribution requirements are established through collective bargaining agreements and may be amended only through negotiations between the City and the union. The City makes the same monthly health insurance contribution on behalf of the retiree as it makes on behalf of all other active employees during that year. The City contributes between 95% and 100% of the current year premiums for a family and a single plan, respectively, for eligible retired plan members and their spouses depending on union classification and hiring dates.

For fiscal year 2017, the City contributed \$707,054 to the plan.

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The table below shows the components of the City's annual OPEB cost for the year, the amount actually contributed to plan, and changes in the City's net OPEB obligation to the Retiree Health Plan.

Annual Required Contribution	\$ 1,523,909
Interest on net OPEB obligation	181,981
Adjustment to annual required contribution	<u>(300,469)</u>
Annual OPEB cost (expense)	1,405,421
Contributions made	<u>(707,054)</u>
Increase in net OPEB Liability	698,367
Net OPEB Liability - beginning of year	<u>6,276,343</u>
Net OPEB Liability - end of year	<u>\$ 6,974,710</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current year and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Liability
12/31/2015	\$ 1,465,549	50%	\$ 5,684,654
12/31/2016	1,386,371	57%	6,276,343
12/31/2017	1,405,421	50%	6,974,710

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE IV – OTHER INFORMATION (continued)

D. OTHER POSTEMPLOYMENT BENEFITS (continued)

As of December 31, 2016, the most recent actuarial valuation date, the plan was 0.6% funded. The actuarial accrued liability for benefits was \$16.7 million, and the actuarial value of assets was \$97,191, resulting in an unfunded actuarial accrued liability (UAAL) of \$16.6 million.

The projection of future benefit payments for an ongoing plan involves estimates for the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

1. Retirement age for active employees – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 60, or at the first subsequent year in which the member would qualify for benefits.
2. Mortality – Life expectancies were based on mortality tables from WRS. Separate rates for males and females, as appropriate.
3. Health insurance premiums – December 31, 2016 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.
4. Turnover – Non-group-specific age-based turnover data from GASB Statement No. 45 were used as a basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.
5. Healthcare cost trend rate – The expected rate of increase in healthcare insurance premiums was based on recent experience, the experience of medical insurers, future trend expectations, and judgment. A rate of 9.40% initially, reduced to an ultimate rate of 4.00% after 54 years, was used.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE IV – OTHER INFORMATION (continued)

D. OTHER POSTEMPLOYMENT BENEFITS (continued)

Based on the historical and expected returns of the utility's short-term investment portfolio, a discount rate of 3% was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at December 31, 2017, was 30 years.

E. MAJOR CUSTOMERS

The Water Utility derived approximately 26% of its user charge revenue from two major customers. The Sewer Utility derived approximately 42% of its user charge revenue from two major customers. The Storm Water Utility derived approximately 8% of its user charge revenue from two major customers.

F. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved the following:

- > Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions
- > Statement No. 83, Certain Asset Retirement Obligations
- > Statement No. 84, Fiduciary Activities
- > Statement No. 85, Omnibus 2017
- > Statement No. 86, Certain Debt Extinguishment Issues
- > Statement No. 87, Leases

When they become effective, application of these standards may restate portions of these financial statements.

G. SUBSEQUENT EVENT

On March 7, 2018, the City issued \$1,380,000 of General Obligation Promissory Notes, Series 2018A. The proceeds of these notes are intended to be used for various capital projects.

On March 7, 2018, the City issued \$7,115,000 of General Obligation Corporate Purpose Bonds, Series 2018B. The proceeds of these bonds are intended to be used to current refund the remaining balance on the 2011 General Obligation Corporate Purpose Bonds and for various capital projects.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CUDAHY

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP) - GENERAL FUND For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 6,215,535	\$ 6,215,535	\$ 6,213,508	\$ (2,027)
Intergovernmental	4,861,233	4,861,233	4,892,749	31,516
Licenses and permits	516,383	516,383	538,551	22,168
Fines, forfeitures and penalties	900,914	900,914	1,001,132	100,218
Public charges for services	101,676	100,676	170,278	69,602
Interdepartmental revenues	146,896	146,896	116,870	(30,026)
Investment income	39,000	39,000	43,691	4,691
Commercial revenues	76,650	76,650	88,152	11,502
Total Revenues	<u>12,858,287</u>	<u>12,857,287</u>	<u>13,064,931</u>	<u>207,644</u>
EXPENDITURES				
Current				
General government	2,879,344	2,843,053	3,020,691	(177,638)
Protection of persons and property	7,268,881	7,268,881	7,438,317	(169,436)
Public works	1,757,392	1,757,392	1,572,045	185,347
Health and sanitation	1,001,486	1,001,486	870,575	130,911
Parks and recreation	376,445	376,445	322,714	53,731
Capital Outlay	21,239	21,239	10,831	10,408
Total Expenditures	<u>13,304,787</u>	<u>13,268,496</u>	<u>13,235,173</u>	<u>33,323</u>
Excess (Deficiency) of Revenues over Expenditures	(446,500)	(411,209)	(170,242)	240,967
OTHER FINANCING SOURCES				
Transfers in	<u>446,500</u>	<u>469,262</u>	<u>449,462</u>	<u>(19,800)</u>
Net change in fund balance - budgetary basis	<u>\$ -</u>	<u>\$ 58,053</u>	279,220	<u>\$ 221,167</u>
Adjustments to generally accepted accounting principles basis				
Interdepartmental revenues that represent interfund charges			(82,316)	
Interfund charges for engineering reported as expenditures			82,316	
Other			<u>(6,500)</u>	
Net change in fund balance - generally accepted accounting principles basis			272,720	
FUND BALANCE - Beginning of Year			<u>4,880,581</u>	
FUND BALANCE - END OF YEAR			<u>\$ 5,153,301</u>	

See independent auditors' report and notes to required supplementary information.

CITY OF CUDAHY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
As of December 31, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected unit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<u>Postemployment Health Care Plan</u>						
12/31/10	\$ -	\$ 12,498,996	\$ 12,498,996	0%	\$ 8,696,391	144%
12/31/13	9,920	14,846,612	14,836,692	0.1%	8,100,570	183%
12/31/16	97,191	16,662,409	16,565,218	0.6%	8,548,445	194%

CITY OF CUDAHY

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) - WISCONSIN RETIREMENT SYSTEM For the Year Ended December 31, 2017

<u>Fiscal Year Ending</u>	<u>Proportion of the Net Pension Liability (Asset)</u>	<u>Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
12/31/15	0.08164949%	\$ (2,005,535)	\$ 8,367,637	23.97%	102.74%
12/31/16	0.08038862%	1,306,299	8,349,793	15.64%	98.20%
12/31/17	0.07986622%	658,288	8,548,445	7.70%	99.12%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM For the Year Ended December 31, 2017

<u>Fiscal Year Ending</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
12/31/15	\$ 757,176	\$ 757,176	\$ -	\$ 8,349,793	9.07%
12/31/16	762,701	762,701	-	8,548,445	8.92%
12/31/17	830,068	830,068	-	8,421,798	9.86%

See independent auditors' report and notes to required supplementary information.

CITY OF CUDAHY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION As of and for the Year Ended December 31, 2017

NOTE 1 – BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note I.C. except actual (non-GAAP) revenues and expenditures do not reflect certain transactions of designated funds or intra-fund charges.

The budgeted amounts presented include any amendments made. The City may authorize transfers of budgeted amounts within departments or from contingency. Certain transfers between departments and changes to the overall budget must be approved by a two-thirds council action. There were no supplemental appropriations during the year. Appropriations lapse at year end unless specifically carried over. Budgetary control is exercised at the individual fund level for all funds.

NOTE 2 – FUNDING PROGRESS DATA

The data presented in the Schedule of Funding Progress was taken from the reports issued by the actuary.

NOTE 3 – WISCONSIN RETIREMENT SYSTEM

The amounts determined for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

The City is required to present the last ten fiscal years of data; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

Changes in benefit terms. There were no changes of benefit terms for any participating employer in the Wisconsin Retirement System.

Changes in Assumptions. There were no changes in assumptions.

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SUPPLEMENTARY INFORMATION

CITY OF CUDAHY

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS As of December 31, 2017

	Special Revenue Funds							
	Library Fund	Ambulance Fund	Grant Fund	Health Grant Fund	Recycling Fund	Special Collections Fund	Special Assessment Fund	Environmental Tax Incremental District Fund #1
ASSETS								
Cash and investments	\$ 543,581	\$ 36,340	\$ -	\$ 14,347	\$ 164,265	\$ 290,887	\$ 1,133,349	\$ 494,866
Accounts receivable (net of allowance for uncollectibles of \$50,023)	565	75,999	-	17,735	-	6,254	-	-
Taxes receivable	685,980	-	-	-	600,930	235,550	233,521	227,507
Special assessments receivable - due in more than one year	-	-	-	-	-	-	437,708	-
Advance to other funds	-	-	-	-	-	-	-	100,000
Restricted cash and investments	340,526	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-	-
Total Assets	\$ 1,570,652	\$ 112,339	\$ -	\$ 32,082	\$ 765,195	\$ 532,691	\$ 1,804,578	\$ 822,373
LIABILITIES								
Accounts payable	62,380	1,407	-	4,804	37,906	97,928	-	-
Accrued liabilities	9,955	4,792	-	-	6,133	240	-	-
Due to other funds	-	-	12,236	-	-	-	-	-
Advance from other funds	-	-	-	-	-	-	-	-
Total Liabilities	72,335	6,199	12,236	4,804	44,039	98,168	-	-
DEFERRED INFLOWS OF RESOURCES								
Unearned revenues	685,980	-	-	5,643	600,930	235,550	233,521	227,507
Unavailable revenues	-	-	-	-	-	-	437,708	-
Total Deferred Inflows of Resources	685,980	-	-	5,643	600,930	235,550	671,229	227,507
FUND BALANCES (DEFICITS)								
Nonspendable	100,000	-	-	-	-	-	-	-
Restricted	646,198	-	-	-	-	-	-	594,866
Committed	66,139	106,140	-	21,635	120,226	198,973	1,133,349	-
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	-	(12,236)	-	-	-	-	-
Total Fund Balance (Deficit)	812,337	106,140	(12,236)	21,635	120,226	198,973	1,133,349	594,866
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)	\$ 1,570,652	\$ 112,339	\$ -	\$ 32,082	\$ 765,195	\$ 532,691	\$ 1,804,578	\$ 822,373

CITY OF CUDAHY

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
As of December 31, 2017**

	Special Revenue Funds			Capital Projects Funds			Total
	Environmental Tax Incremental District Fund #2	K-9 Fund	Hotel & Motel Tax Fund	Rental Property Inspection Fund	Community Development Authority Fund	Road & Equipment Improvements Fund	Nonmajor Governmental Funds
ASSETS							
Cash and investments	\$ -	\$ 2,321	\$ -	\$ 131,129	\$ 745,752	\$ 123,769	\$ 3,680,606
Accounts receivable (net of allowance for uncollectibles of \$50,023)	-	-	-	40,664	2,444	-	143,661
Taxes receivable	-	-	-	-	-	450,000	2,433,488
Special assessments receivable - due in more than one year	-	-	-	-	-	-	437,708
Advance to other funds	-	-	-	-	-	-	100,000
Restricted cash and investments	364,562	-	-	-	-	-	705,088
Prepaid items	-	-	319	-	-	-	319
Total Assets	\$ 364,562	\$ 2,321	\$ 319	\$ 171,793	\$ 748,196	\$ 573,769	\$ 7,500,870
LIABILITIES							
Accounts payable	9,158	-	423	251	-	1,667	215,924
Accrued liabilities	-	-	-	2,050	-	4,546	27,716
Due to other funds	702,979	-	13,454	-	-	-	728,669
Advance from other funds	100,000	-	-	-	-	-	100,000
Total Liabilities	812,137	-	13,877	2,301	-	6,213	1,072,309
DEFERRED INFLOWS OF RESOURCES							
Unearned revenues	-	-	-	-	-	450,000	2,439,131
Unavailable revenues	-	-	-	-	-	-	437,708
Total Deferred Inflows of Resources	-	-	-	-	-	450,000	2,876,839
FUND BALANCES (DEFICITS)							
Nonspendable	-	-	319	-	-	-	100,319
Restricted	364,562	-	-	-	748,196	-	2,353,822
Committed	-	2,321	-	169,492	-	-	1,818,275
Assigned	-	-	-	-	-	117,556	117,556
Unassigned	(812,137)	-	(13,877)	-	-	-	(838,250)
Total Fund Balance (Deficit)	(447,575)	2,321	(13,558)	169,492	748,196	117,556	3,551,722
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)	\$ 364,562	\$ 2,321	\$ 319	\$ 171,793	\$ 748,196	\$ 573,769	\$ 7,500,870

CITY OF CUDAHY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS For the Year Ended December 31, 2017

	Special Revenue Funds							Environmental Tax Incremental District Fund #1
	Library Fund	Ambulance Fund	Grant Fund	Health Grant Fund	Recycling Fund	Special Collections Fund	Special Assessment Fund	
REVENUES								
Taxes	\$ 685,980	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 210,009
Other taxes	-	-	-	-	-	-	-	-
Intergovernmental	147,309	6,281	62,749	99,148	68,859	-	-	-
Fines, forfeitures and penalties	25,642	-	-	-	-	-	-	-
Public charges for services	29,241	335,313	-	-	417,206	256,315	-	-
Public improvement revenue	-	-	-	-	-	-	539,185	-
Investment income	4,541	60	-	9	1,199	1,224	28,660	2,023
Commercial revenues	317,202	30	-	-	3,685	1,574	-	-
Total Revenues	1,209,915	341,684	62,749	99,157	488,949	259,113	567,845	212,032
EXPENDITURES								
Current								
Protection of persons and property	-	365,906	-	-	-	-	-	-
Public works	-	-	-	-	-	-	16,772	-
Health and sanitation	-	-	-	90,244	491,699	185,466	-	-
Library	688,464	-	-	-	-	-	-	-
Conservation and development	-	-	-	-	-	-	-	-
Capital Outlay	696,206	33,508	62,749	-	-	-	621,198	14,940
Total Expenditures	1,384,670	399,414	62,749	90,244	491,699	185,466	637,970	14,940
Excess (deficiency) of revenues over expenditures	(174,755)	(57,730)	-	8,913	(2,750)	73,647	(70,125)	197,092
OTHER FINANCING SOURCES (USES)								
Sale of property	-	5,063	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	(272,247)
Total Other Financing Sources (Uses)	-	5,063	-	-	-	-	-	(272,247)
Net change in fund balances	(174,755)	(52,667)	-	8,913	(2,750)	73,647	(70,125)	(75,155)
FUND BALANCES (DEFICIT) - Beginning of Year	987,092	158,807	(12,236)	12,722	122,976	125,326	1,203,474	670,021
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 812,337	\$ 106,140	\$ (12,236)	\$ 21,635	\$ 120,226	\$ 198,973	\$ 1,133,349	\$ 594,866

CITY OF CUDAHY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS For the Year Ended December 31, 2017

	Special Revenue Funds				Capital Projects Funds			Total
	Environmental Tax Incremental District Fund #2	K-9 Fund	Hotel & Motel Tax Fund	Rental Property Inspection Fund	Community Development Authority Fund	Road & Equipment Improvements Fund	Nonmajor Governmental Funds	
REVENUES								
Taxes	\$ 31,461	\$ -	\$ -	\$ -	\$ -	\$ 450,000	\$ 1,377,450	
Other taxes	-	-	10,297	-	-	-	10,297	
Intergovernmental	-	-	-	-	-	-	382,346	
Fines, forfeitures and penalties	-	-	-	-	-	-	25,642	
Public charges for services	-	-	-	154,775	-	-	1,192,850	
Public improvement revenue	-	-	-	-	-	-	539,185	
Investment income	1,016	5	-	-	2,997	1,054	42,788	
Commercial revenues	20,000	4,464	-	-	60	1,850	348,865	
Total Revenues	52,477	4,469	10,297	154,775	3,057	452,904	3,919,423	
EXPENDITURES								
Current								
Protection of persons and property	-	2,762	-	127,087	-	-	495,755	
Public works	-	-	-	-	-	92,172	108,944	
Health and sanitation	-	-	-	-	-	-	767,409	
Library	-	-	-	-	-	-	688,464	
Conservation and development	300,136	-	30,835	-	-	-	345,911	
Capital Outlay	-	-	-	-	-	374,554	1,788,215	
Total Expenditures	300,136	2,762	30,835	127,087	-	466,726	4,194,698	
Excess (deficiency) of revenues over expenditures	(247,659)	1,707	(20,538)	27,688	3,057	(13,822)	(275,275)	
OTHER FINANCING SOURCES (USES)								
Sale of property	-	-	-	-	-	-	5,063	
Transfers in	133,734	-	-	-	-	-	133,734	
Transfers out	(100,843)	-	-	-	-	-	(373,090)	
Total Other Financing Sources (Uses)	32,891	-	-	-	-	-	(234,293)	
Net change in fund balances	(214,768)	1,707	(20,538)	27,688	3,057	(13,822)	(509,568)	
FUND BALANCES (DEFICIT) - Beginning of Year	(232,807)	614	6,980	141,804	745,139	131,378	4,061,290	
FUND BALANCES (DEFICIT) - END OF YEAR	\$ (447,575)	\$ 2,321	\$ (13,558)	\$ 169,492	\$ 748,196	\$ 117,556	\$ 3,551,722	